

GOVAN MBEKI

LOCAL MUNICIPALITY



2008/2009

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2009

GOVAN MBEKI MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2009

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**GOVAN MBEKI MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

GENERAL INFORMATION

SPEAKER

L.L Masina

EXECUTIVE MAYOR

S.S.Nkosi

MEMBERS OF THE COMMITTEE OF THE MAYOR

Deputy Executive Mayor

O. Mtsweni

Councillors: S.C. Vilakazi
N.E. Nkosi

Z.G. Mkhwanazi
A.B. Madonsela
F.B. Nkambule

GRADING OF THE LOCAL MUNICIPALITY

Grade 4

AUDITORS

External – Auditor General

Internal – KPMG

PRIMARY BANKER

ABSA Bank Limited

REGISTERED OFFICE

Central Business District
Horwood Street
SECUNDA
2302

Private Bag X1017
SECUNDA
South Africa
2302

Telephone: (017) 620-6000
E-Mail: gbrecords@govanmbeki.gov.za

Facsimile: (017) 634-8019

MUNICIPAL MANAGER

Dr L H Mathunyane

CHIEF FINANCIAL OFFICER

N. Ndlovu

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GENERAL INFORMATION (continued)

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 8 to 108, in terms of Section 126(1) of the Municipal Finance Management Act (Act No 56 of 2003) and which I have signed on behalf of the municipality.

These Annual Financial Statements will be presented to the Council for information during September 2009.


DR L H MATHUNYANE
MUNICIPAL MANAGER
7 September 2009
N NDLOVU
CHIEF FINANCIAL OFFICER
4 September 2009

GOVAN MBEKI MUNICIPALITY
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MEMBERS OF THE COUNCIL

WARD	COUNCILLORS		PROPORTIONAL COUNCILLORS	
1	E.N. Khanye	ANC	C.J.H. Breedt	FF
2	M.P. Mabhena	ANC	S.M. Masombuka	DA
3	S.A. Makhaye	ANC	T.M. Denny	DA
4	E. Mtsweni	ANC	S.J. Dhladhla	DA
5	M.A. Taylor	DA	D.M. Dlamini	ANC
6	F.B. Nkambule	ANC	N.J. Gwebu	ANC
7	C.V. Gwiji	ANC	Z.A. Hlatshwayo	PAC
8	T.M. Buthelezi	ANC	M.B. Jean-Pierre	ACDP
9	B.D. Mahlangu	ANC	Vacant	ANC
10	T.J. Tsotetsi	ANC	A.B. Madonsela	ANC
11	A.D. Sithole	ANC	M.F. Mahlangu	ANC
12	M.S. Jele	ANC	S.S. Mahlangu	DA
13	M.Z. Malinga	ANC	Y.T. Ngxonono	ANC
14	B.S. Zulu	ANC	J.F. Buthelezi	ID
15	M.P. Mkoko	ANC	J. Masilela	ANC
16	S.C. Vilakazi	ANC	L.L. Masina	ANC
17	T.A. Moekoa	ANC	S.S. Masina	ANC
18	J.W. Harris	DA	Z.G. Mkhwanazi	ANC
19	T.A. Mtsweni	ANC	Z.A. Mkhwebane	DA
20	T. Dyusha	ANC	T.L. Mlotshwa	DA
21	H.J. Badenhorst	DA	O. Mtsweni	ANC
22	Z.L. Sethole	ANC	H.G. Nicholas	ANC
23	B.J. Ndinisa	ANC	M.A. Nkabinde	ANC
24	P.P. Masombuka	ANC	E.N. Nkosi	ANC
25	N.S. Victor	DA	P.M. Nkosi	ANC
26	N.G. Khumalo	ANC	S.S. Nkosi	ANC
27	E.M. Madonsela	ANC	R.J. Pretorius	ID
28	J.A. van Baalen	DA	S.T. Sishange	IFP
29	J. Nhlapho	ANC	D.J. van Tonder	FF
30	P.J. Labuschagne	DA	P.W. van Zyl	ANC
31	M.J. Nkosi	ANC		

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MEMBERS OF THE COUNCIL (continued)

CERTIFICATION OF REMUNERATION OF COUNCILLORS

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.


L H Mathunyane
MUNICIPAL MANAGER
7 September 2009

GOVAN MBEKI MUNICIPALITY
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FOREWORD

During the 2008/2009 financial year the municipality had to ensure that issues of compliance with various changes in legislation are addressed in order to meet the challenges set by a changing legislative environment.

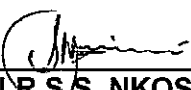
The municipality, as part of improving service delivery to the community, implemented proper communication channels through the ward committee systems. Community Development Workers and the Customer Care helpdesks ensured that our people receive treatment that is in compliance with the Batho Pele principles.

Although capital projects were limited to those financed from external grant funding the municipality has successfully finalised the projects identified in the Integrated Development plan. The municipality will in the 2009/2010 financial year again embark upon projects identified in the IDP.

Service delivery and the payment for services still remain a serious concern to all in local government. All role-players must ensure that they work together to overcome the legacy of the past and ensure that we uplift the living conditions of those that were forgotten previously.

I hereby wish to thank the MMCs and executive staff for their commitment during the year, in ensuring that we met the targets set in the Integrated Development Plan and the 2008/2009 budget.

I thank you.



CLR S.S. NKOSI
EXECUTIVE MAYOR
7 September 2009

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AUDIT REPORT

The 2008/2009 Audit Report was not available when the Annual Financial Statements were approved and will be attached hereto as Annexure "A" when received after the completion of the statutory audit.

GOVAN MBEKI MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2009

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

The Annual Financial Statements have been prepared in accordance with the Accounting Standards as prescribed by the Minister of Finance in terms of Government Gazette number 31021, Notice Number 516, dated 9 May 2008, and also in terms of the standards and principles contained in Directives 3 and 5 issued by the ASB in March 2009.

An audit of all assets was done during the year in the process of compiling a GRAP-compliant asset register. As a result of this, the carrying value of council's assets increased with R2 669 323 712, resulting in a nett operating surplus of R3 282 550 540.

2. KEY FINANCIAL INDICATORS

The following indicators give some insight into the financial results of the year under review.

Financial Statement Ratios:

INDICATOR	2009	2008
Surplus / (Deficit) before Appropriations	(44 585 431)	(23 599 234)
Surplus / (Deficit) at the end of the Year	3 282 550 540	672 988 577
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	28.45%	28.36%
Remuneration of Councillors	1.51%	1.65%
Collection Costs	1.05%	1.00%
Depreciation and Amortisation	9.26%	10.17%
Impairment Losses	10.60%	11.77%
Repairs and Maintenance	4.63%	3.62%
Interest Paid	1.72%	1.96%
Bulk Purchases	23.09%	21.76%
Contracted Services	4.34%	4.11%
Grants and Subsidies Paid	6.48%	6.90%
General Expenses	8.87%	8.69%
Current Ratio:		
Creditors Days	58	32
Debtors Days	224	239

3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D".

The overall operating results for the year ended 30 June 2009 are as follows:

DETAILS	Actual 2008/2009 R	Actual 2007/2008 R	Percentage Variance %	Budgeted 2008/2009 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	353 573 205	368 387 596	(4.02)%	-	-
Operating income for the year	747 236 533	660 947 616	13.06%	768 381 500	(2.75)%
Appropriations for the year	(45 658 858)	8 167 346	(659.04)%	-	-
GRAP 17 adjustments	785 836 615				
	1 840 987 494	1 037 502 559	77.44%	768 381 500	139.59%
Expenditure:					
Operating expenditure for the year	791 821 964	684 546 850	15.67%	819 235 800	(3.35)%
Sundry transfers	14 913 065	(617 497)	(2515.08)%	-	-
Closing surplus / (deficit)	1 034 252 465	353 573 205	192.51%	(50 854 300)	-
	1 840 987 494	1 037 502 559	77.44%	768 381 500	139.59%

3.1 Rates and General Services:

Rates and General Services are all types of services rendered by the municipality, excluding those listed below. The main income sources are Assessment Rates and Sundry Fees levied.

DETAILS	Actual 2008/2009 R	Actual 2007/2008 R	Percentage Variance %	Budgeted 2008/2009 R	Variance actual/ budgeted %
Income	321 411 414	316 929 180	1.41%	374 919 800	(14.27)%
Expenditure	374 900 408	300 259 966	24.86%	390 349 900	(3.96)%
Surplus / (Deficit)	(53 488 994)	16 669 213	(420.88)%	(15 430 100)	-
Surplus / (Deficit) as % of total income	(16.64)%	5.26%		(4.12)%	

3.2 Housing Services:

Housing Services are services rendered by the municipality to supply housing to the community and includes the rental of units owned by the municipality to public and staff. The main income source is the levying of Housing Rentals.

DETAILS	Actual 2008/2009 R	Actual 2007/2008 R	Percentage Variance %	Budgeted 2008/2009 R	Variance actual/ budgeted %
Income	2 028 542	3 456 473	(41.31)%	614 300	230.22%
Expenditure	8 797 673	10 105 875	(12.94)%	8 948 400	(1.68)%
Surplus / (Deficit)	(6 769 131)	(6 649 402)	1.80%	(8 334 100)	-
Surplus / (Deficit) as % of total income	(333.69)%	(192.38)%		(1356.68)%	

3.3 Waste Management Services:

Waste Management Services are services rendered by the municipality for the collection, disposal and purifying of waste (refuse and sewerage). Income is mainly generated from the levying of fees and tariffs determined by the council.

DETAILS	Actual 2008/2009 R	Actual 2007/2008 R	Percentage Variance %	Budgeted 2008/2009 R	Variance actual/ budgeted %
Income	123 159 125	57 258 186	115.09%	81 836 800	50.49%
Expenditure	102 415 740	66 776 728	53.37%	90 899 800	12.67%
Surplus / (Deficit)	20 743 385	(9 518 543)	(317.93)%	(9 063 000)	-
Surplus / (Deficit) as % of total income	16.84%	(16.62)%		(11.07)%	

3.4 Electricity Services:

Electricity is bought in bulk from Eskom and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality was R114 869 481 (2007/2008: R89 330 017). Tariffs levied for electricity are subject to administered adjustments.

DETAILS	Actual 2008/2009 R	Actual 2007/2008 R	Percentage Variance %	Budgeted 2008/2009 R	Variance actual/ budgeted %
Income	187 154 662	190 109 335	(1.55)%	204 934 900	(8.68)%
Expenditure	199 152 004	202 398 953	(1.60)%	218 851 100	(9.00)%
Surplus / (Deficit)	(11 997 341)	(12 289 617)	(2.38)%	(13 916 200)	-
Surplus / (Deficit) as % of total income	(6.41)%	(6.46)%		(6.79)%	

3.5 Water Services:

Water is bought in bulk from Rand Water and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality was R67 957 553 (2007/2008: R59 617 949). Tariffs levied for water are subject to administered adjustments.

DETAILS	Actual 2008/2009 R	Actual 2007/2008 R	Percentage Variance %	Budgeted 2008/2009 R	Variance actual/ budgeted %
Income	113 482 788	93 194 442	21.77%	106 075 700	6.98%
Expenditure	106 556 139	105 005 328	1.48%	110 186 600	(3.29)%
Surplus / (Deficit)	6 926 650	(11 810 885)	(158.65)%	(4 110 900)	-
Surplus / (Deficit) as % of total income	6.10%	(12.67)%		(3.88)%	

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Property, Plant and Equipment during the year amounted to R94 015 411 (2007/2008: R25 566 859). Full details of Property, Plant and Equipment are disclosed in Note 13 and appendices "B, C and E (2)" to the Annual Financial Statements.

The capital expenditure of R94 014 411 was financed as follows:

DETAILS	Actual 2008/2009 R	Actual 2007/2008 R	Percentage Variance %	Budgeted 2008/2009 R	Variance actual/ budgeted %
Capital Replacement Reserve	6 096 077	9 141 468	(33.31)%	16 524 400	(63.11)%
External Loans	14 238 361	-	-	17 500 000	(18.64)%
Grants and Subsidies	73 644 023	61 474 473	19.80%	102 449 119	(28.12)%
Public Contributions	36 950	90 198	(59.03)%	-	-
	94 015 411	70 706 139	32.97%	136 473 519	(31.11)%

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2009	2008
Capital Replacement Reserve	6.48%	12.93%
External Loans	15.14%	-
Grants and Subsidies	78.33%	86.94%
Public Contributions	0.04%	0.13%

Property, Plant and Equipment is funded to such a great extent from grants and subsidies because the municipality does not have the financial resources to finance capital from its own funds.

5. RECONCILIATION OF BUDGET TO ACTUAL

5.1 Operating Budget:

DETAILS	2009	2008
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	(50 854 300)	-
Revenue variances	(21 144 967)	(25 378 984)
Expenditure variances:		
Employee Related Costs	(10 645 796)	4 885 847
Remuneration of Councillors	638 148	235 352
Collection Costs	871 291	(6 712)
Depreciation and Amortisation	(5 528 523)	(60 255 929)
Impairment Losses	(22 859 500)	(17 647 484)
Repairs and Maintenance	1 761 296	2 684 506
Interest Paid	3 725 826	(13 387)
Bulk Purchases	13 217 466	(9 438 866)
Contracted Services	(8 160 013)	(4 071 478)
Grants and Subsidies Paid	60 795 148	52 432 329
General Expenses	(6 401 506)	32 975 571
Actual surplus before appropriations	(44 585 431)	(23 599 234)

DETAILS	2009	2008
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	(50 854 300)	-
Executive and Council	(4 890 926)	(3 622 055)
Finance and Administration	(44 199 199)	(6 800 110)
Planning and Development	(1 973 362)	32 819 486
Health	4 735 154	420 073
Community and Social Services	1 590 683	1 512 063
Housing	1 564 969	(2 990 705)
Public Safety	(4 599 843)	(1 482 818)
Sport and Recreation	(1 563 676)	(2 783 620)
Waste Management	29 806 385	(2 570 154)
Roads and Transport	9 268 118	(7 075 354)
Water	11 037 550	(19 128 090)
Electricity	1 918 859	(10 169 649)
Inter-departmental Charges	3 574 156	(1 728 300)
Actual surplus before appropriations	(44 585 431)	(23 599 234)

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure, together with a criptic explanation of significant variances of more than 10% from budget, are included in Appendix "E (1)".

5.2 Capital Budget:

DETAILS	Actual 2008/2009 R	Actual 2007/2008 R	Variance actual 2008/09 / 2007/08 R	Budgeted 2008/2009 R	Variance actual/ budgeted R
Executive and Council	56 022	534 117	(478 095)	1 403 268	(1 347 246)
Finance and Administration	500 333	963 457	(463 123)	2 135 000	(1 634 667)
Planning and Development	1 964 983	710 011	1 254 972	4 891 430	(2 926 447)
Health	228 816	42 534	186 283	545 000	(316 184)
Community and Social Services	611 299	47 501	563 798	9 438 076	(8 826 777)
Housing	61 989	468	61 520	413 076	(351 087)
Public Safety	1 039 987	794 591	245 396	1 813 076	(773 089)
Sport and Recreation	5 164 840	346 036	4 818 803	550 000	4 614 840
Environmental Protection	-	-	-	6 070 000	(6 070 000)
Waste Management	57 220 294	35 233 923	21 986 371	65 220 831	(8 000 537)
Roads and Transport	13 853 357	7 330 597	6 522 760	16 553 000	(2 699 643)
Water	7 590 596	15 567 971	(7 977 375)	14 400 000	(6 809 404)
Electricity	5 722 895	6 372 543	(649 648)	13 040 762	(7 317 867)
Other	-	3 596 189	(3 596 189)	-	-
	94 015 411	71 539 938	22 475 472	136 473 519	(42 458 108)

Details of the results per segmental classification of capital expenditure are included in Appendix "C", together with a criptic explanation of significant variances of more than 5% from budget, are included in Appendix "E (2)".

6. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2009 amounted to R3 282 550 540 (30 June 2008: R672 988 577) and is made up as follows:

Capital Replacement Reserve	232 160
Capitalisation Reserve	333 719 426
Donations and Public Contributions Reserve	122 990
Government Grants Reserve	1 914 223 499
Accumulated Surplus	<u>1 034 252 465</u>
	<u>3 282 550 540</u>

The Capital Replacement Reserve replaces the previous statutory funds, like the Capital Development Fund, and is a cash-backed reserve established to enable the municipality to finance future capital expenditure. Cash contributions, depending on the availability of cash, is made annually to the reserve.

The Capitalisation, Donations & Public Contributions and Government Grants Reserves are utilised to offset the cost of depreciation of assets funded from Internal Advances (not applicable anymore), Government Grants and Contributions from Public over the lifespan of such assets. Amounts equal to the cost of assets acquired from Government Grants and Public Contributions are transferred to the reserves annually.

The municipality, in conjunction with its own capital requirements and external funds (external loans and grants) is able to finance its annual infrastructure capital programme.

Refer to Note 2 and the Statement of Change in Net Assets for more detail.

7. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2009 was R102 003 905 (30 June 2008: R85 445 392).

A new loan to the amount of R17 500 000 was taken up during the financial year to enable the municipality to finance part of its capital requirements for the year. This was utilised to finance an electrification project in Bethal.

Refer to Note 4 and Appendix "A" for more detail.

8. RETIREMENT BENEFIT LIABILITIES

The outstanding amount of Retirement Benefit Liabilities as at 30 June 2009 was R43 277 709 (30 June 2008: R40 210 356).

This liability is in respect of continued Health Care Benefits for employees of the municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.

Refer to Note 5 for more detail.

9. NON-CURRENT PROVISIONS

Non-current Provisions amounted R19 324 449 as at 30 June 2009 (30 June 2008: R19 313 630) and is made up as follows:

Provision for Long-term Service	9 374 439
Provision for Rehabilitation of Land-fill Sites	<u>9 950 010</u>
	<u>19 324 449</u>

These provisions are made in order to enable the municipality to be in a position to fulfil its known legal obligations when they become due and payable.

Refer to Note 6 for more detail.

10. CURRENT LIABILITIES

Current Liabilities amounted R165 579 370 as at 30 June 2009 (30 June 2008: R131 277 548) and is made up as follows:

Consumer Deposits	Note 7	12 741 468
Provisions	Note 8	18 310 749
Creditors	Note 9	109 276 016
Unspent Conditional Grants and Receipts	Note 10	705 457
VAT	Note 11	4 175 584
Bank Overdraft	Note 22	21 613 913
Current Portion of Long-term Liabilities	Note 4	756 183
		<u>167 579 370</u>

Non-current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

11. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R3 172 962 007 as at 30 June 2009 (30 June 2008: R770 703 592).

An audit of all assets was done during the year in the process of compiling a GRAP-compliant asset register. As a result of this, the carrying value increased to R2 380 606 871 as at 30 June 2009.

Refer to Note 13 and Appendices "B, C and E (2)" for more detail.

12. INTANGIBLE ASSETS

The net value of Intangible Assets were R1 504 249 as at 30 June 2009 (30 June 2008: R2 107 369).

These are assets which cannot physically be identified and verified and are in respect of computer software and water rights / servitudes obtained by the municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 14 and Appendix "B" for more detail.

13. INVESTMENT PROPERTIES

The net value of Investment Properties were R288 337 604 as at 30 June 2009 (30 June 2008: R0).

An audit of all assets was done during the year during the process of compiling the asset register. As a result of this, assets to the value of R288 337 604, not previously recorded, have been brought into the municipality's registers as at 30 June 2006.

Refer to Note 15 and Appendix "B" for more detail.

14. INVESTMENTS

The municipality held Investments to the value of R75 066 238 as at 30 June 2009 (30 June 2008: R70 489 114).

The bulk of these investments are ring-fenced for purposes of the Capital Replacement Reserve, Unspent Conditional Grants and security for Long-term Liabilities, with the result that no significant amounts are available for own purposes.

Refer to Note 16 for more detail.

15. LONG-TERM RECEIVABLES

Long-term Receivables of R5 303 802 at 30 June 2009 (30 June 2008: R19 094 278) is made up as follows:

Capitalised Arrear Services	8 365 902
	<u>8 365 902</u>
Less: Short-term portion included in Current Assets	<u>3 062 100</u>
	<u>5 303 802</u>

The substantial decrease in Long-term Receivables is attributed to the write-off of long outstanding amounts to the Provision for Doubtful Debts.

Refer to Note 17 for more detail.

16. CURRENT ASSETS

Current Assets amounted R71 562 071 as at 30 June 2009 (30 June 2008: R86 841 151) and is made up as follows:

Inventory	Note 18	4 518 231
Non-current Assets Held-for-Sale	Note 19	343 036
Consumer Debtors	Note 20	39 652 072
Other Debtors	Note 21	15 596 293
Bank, Cash and Cash Equivalents	Note 22	8 350 248
Operating Lease Assets	Note 23	40 091
Current Portion of Long-term Debtors	Note 17	<u>3 062 100</u>
		<u>71 562 071</u>

Refer to the indicated Notes for more detail.

17. INTER-GOVERNMENTAL GRANTS

The municipality is dependent on financial aid from other government spheres to finance its annual capital programme. Operating grants are utilised to finance indigent assistance and provision of free basic services.

Refer to Notes 10 and 28, and Appendix "F" for more detail.

18. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 58.

19. JOHANNES STEGMANN THEATRE DONORS TRUST ACCOUNT

The Johannes Stegmann Theatre operates a Trust Banking Account which does not form part of the municipality's operating account. The Annual Financial Statements of the account is attached to the Annual Financial Statements of the municipality per Appendix "G".

20. EXPRESSION OF APPRECIATION

We are grateful to the Executive Mayor, members of the Mayoral Committee, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.



CHIEF FINANCIAL OFFICER

04 September 2009

GOVAN MBEKI MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2009

	Note	2009 R	2008 R
NET ASSETS AND LIABILITIES			
Net Assets		3 282 550 540	672 988 577
Accumulated Surplus / (Deficit)	2	3 282 550 540	672 988 577
Non-Current Liabilities		164 606 062	144 969 378
Long-term Liabilities	4	102 003 905	85 445 392
Retirement Benefit Liabilities	5	43 277 709	40 210 356
Non-current Provisions	6	19 324 449	19 313 630
Current Liabilities		167 579 370	131 277 548
Consumer Deposits	7	12 741 468	10 999 599
Provisions	8	18 310 749	14 821 297
Creditors	9	109 276 016	72 191 851
Unspent Conditional Grants and Receipts	10	705 457	18 813 225
VAT Payable	11	4 175 584	-
Bank Overdraft	22	21 613 913	13 695 394
Current Portion of Long-term Liabilities	4	756 183	756 183
Total Net Assets and Liabilities		3 614 735 971	949 235 503
ASSETS			
Non-Current Assets		3 543 173 900	862 394 352
Property, Plant and Equipment	13	3 172 962 007	770 703 592
Intangible Assets	14	1 504 249	2 107 369
Investment Property	15	288 337 604	-
Non-current Investments	16	75 066 238	70 489 114
Long-term Receivables	17	5 303 802	19 094 278
Current Assets		71 562 071	86 841 151
Inventory	18	4 518 231	4 240 375
Non-current Assets Held-for-Sale	19	343 036	343 036
Consumer Debtors	20	39 652 072	21 353 640
Other Debtors	21	15 596 293	35 090 937
VAT Receivable	22	-	449 482
Bank, Cash and Cash Equivalents	22	8 350 248	19 144 647
Operating Lease Assets	23	40 091	38 933
Current Portion of Long-term Receivables	17	3 062 100	6 180 100
Total Assets		3 614 735 971	949 235 503

GOVAN MBEKI MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2003					
Budget				Actual	
2008	2009		Note	2009	2008
R	R			R	R
REVENUE					
116 910 900	124 701 900	Property Rates	24	117 369 910	127 863 058
-	-	Property Rates - Penalties imposed and collection charges	27	4 170 718	3 896 909
307 336 400	386 739 400	Service Charges	25	356 676 963	346 138 887
3 261 800	3 600 200	Rental of Facilities and Equipment	26	3 475 793	3 834 414
5 897 600	8 047 600	Interest Earned - External Investments	27	7 446 567	8 218 967
25 376 000	31 000 000	Interest Earned - Outstanding Debtors	27	34 368 023	28 895 546
-	-	Dividends Received		-	26 289
5 599 600	5 865 000	Fines		2 641 218	4 197 836
10 100	61 000	Licences and Permits		522	169 207
7 000 000	8 000 000	Income for Agency Services		8 076 176	9 382 989
158 603 800	172 830 000	Government Grants and Subsidies Received	28	186 355 243	103 112 843
600 500	2 003 000	Public Contributions and Donations	29	238 810	151 965
52 729 900	22 533 400	Other Income	30	24 892 907	19 621 304
3 000 000	3 000 000	Gains on Disposal of Property, Plant and Equipment		1 523 683	5 437 403
686 326 600	768 381 500	Total Revenue		747 236 533	660 947 616
EXPENDITURE					
199 022 690	214 627 251	Employee Related Costs	31	225 273 047	194 136 843
11 552 800	12 592 600	Remuneration of Councillors	32	11 954 452	11 317 448
6 850 000	9 200 000	Collection Costs		8 328 709	6 856 712
9 328 650	67 817 700	Depreciation and Amortisation	33	73 346 223	69 584 579
62 942 500	61 042 800	Impairment Losses	34	83 902 300	80 589 984
27 483 070	38 426 799	Repairs and Maintenance		36 665 503	24 798 564
13 426 700	17 336 700	Finance Costs	35	13 610 874	13 440 087
139 509 100	196 044 500	Bulk Purchases	36	182 827 034	148 947 966
24 089 200	26 196 400	Contracted Services	37	34 356 413	28 160 678
99 663 300	112 099 150	Grants and Subsidies Paid	38	51 304 002	47 230 971
92 458 590	63 851 900	General Expenses	39	70 253 406	59 483 019
686 326 600	819 235 800	Total Expenditure		791 821 964	684 546 850
-	(50 854 300)	SURPLUS / (DEFICIT) FOR THE YEAR		(44 585 431)	(23 599 234)
Refer to Appendix E(1) for explanation of budget variances					

The prior year's comparative figure for Property Rates Received and Service Charges Received have been restated with an amount of R13 115 672 and R46 347 929 respectively as a result of the reversal of probable income in terms of GAMAP 9 implemented during 2007/2008. Please refer to Note 42.4 for detail of the restatement.

The prior year's comparative figure for Other Income Received has been restated with an amount of R3 230 as a result of the correction of GRAP 13 implemented during 2007/2008. Please refer to Note 42.1 for detail of the restatement.

The prior year's comparative figure for Government Grants and Subsidies Received has been restated with an amount of R5 994 699 as a result of the reversal of IAS 20 implemented during 2007/2008. Please refer to Note 41.4 for detail of the restatement.

The prior year's comparative figure for Impairment Losses Incurred has been restated with an amount of R57 179 046 as a result of the reversal of probable income in terms of GAMAP 9 implemented during 2007/2008. Please refer to Note 42.5 for detail of the restatement.

The prior year's comparative figure for General Expenditure Incurred has been restated with an amount of R3 677 412 as a result of the correction of VAT Transactions pointed out by the Auditor-General in his report for 2007/2008. Please refer to Note 42.6 for detail of the restatement.

GOVAN MBEKI MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2009

Description	Housing Development Fund	Revaluation Reserve	Total for Accumulated Surplus / (Deficit)	Total
	R	R	R	R
2008				
Balance at 30 June 2007	-	-	695 970 314	695 970 314
Change in Accounting Policy (Note 38)			-	-
Correction of Error (Note 39)			617 497	617 497
Restated Balance	-	-	696 587 811	696 587 811
Surplus / (Deficit) for the year			(23 599 234)	(23 599 234)
Transfer to CRR			-	-
Property, Plant and Equipment purchased			-	-
Donated / Contributed PPE			-	-
Grants utilised to obtain PPE			-	-
Asset disposals			-	-
Offsetting of Depreciation			-	-
Balance at 30 June 2008	-	-	672 988 577	672 988 577
	-	-		
2009				
Change in Accounting Policy (Note 38)			-	-
Correction of Error (Note 39)			(14 913 065)	(14 913 065)
Restated Balance	-	-	658 075 511	658 075 511
Surplus / (Deficit) for the year			(44 585 431)	(44 585 431)
Transfer to CRR			-	-
Property, Plant and Equipment purchased			0	0
Donated / Contributed PPE			-	-
Grants utilised to obtain PPE			(0)	(0)
Asset disposals			-	-
Offsetting of Depreciation			(0)	(0)
	-	-	613 490 080	613 490 080
Implementation of GRAP 17			2 669 060 460	2 669 060 460
Balance at 30 June 2009	-	-	3 282 550 540	3 282 550 540
	-	-		

Details on the movement of the Funds and Reserves are set out in Note 2.

GOVAN MBEKI MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 R	2008 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from Ratepayers, Government and Other		678 549 501	608 763 575
Cash paid to Suppliers and Employees		(610 060 506)	(570 024 364)
Cash generated from / (utilised in) Operations	43	68 488 995	38 739 211
Dividends received		-	26 289
Interest received	27	7 446 567	8 218 967
Interest paid	35	(13 610 874)	(13 440 087)
NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES		62 324 689	33 544 381
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	13	(94 015 411)	(25 566 859)
Proceeds on Disposal of Property, Plant and Equipment		1 523 683	5 512 774
Decrease / (Increase) in Non-current Investments	16	(4 577 124)	(5 446 250)
Decrease / (Increase) in Long-term Receivables	17	(527 268)	8 733 550
NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		(97 596 119)	(16 766 785)
CASH FLOWS FROM FINANCING ACTIVITIES			
New Loans raised	4	17 500 000	0
Loans repaid	4	(941 488)	(891 274)
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		16 558 512	(891 274)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	22	(18 712 918)	15 886 322
Cash and Cash Equivalents at the beginning of the year		5 449 253	(10 437 069)
Cash and Cash Equivalents at the end of the year		(13 263 665)	5 449 253

GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The Annual Financial Statements have been prepared in accordance with the Accounting Standards as prescribed by the Minister of Finance in terms of Government Gazette number 31021, Notice Number 516, dated 9 May 2008, and also in terms of the standards and principles contained in Directives 3 and 5 issued by the ASB in March 2009.

The Accounting Framework of the municipality, based on the preceding paragraphs, is therefore as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changing in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interests in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-current Assets Held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets
GAMAP 9	Paragraphs relating to Revenue from Non-exchange Transactions
IPSAS 20	Related Party Disclosures
IPSAS 21	Impairment of Non Cash-generating Assets
IFRS 3	Business Combinations
IFRS 7	Financial Instruments: Disclosures
IAS 19	Employee Benefits
IAS 32	Financial Instruments: Presentation
IAS 36	Impairment of Assets
IAS 39	Financial Instruments: Recognition and Measurement
IFRIC 4	Determining whether an Arrangement contains a Lease

**GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (continued)**

1. BASIS OF PRESENTATION (continued)

1.1 Changes in Accounting Policy and Comparability

Accounting Policies have been consistently applied, except where otherwise indicated below.

For the year ended 30 June 2009 the municipality has adopted the accounting framework as set out above. The details of any resulting changes in accounting policy and comparative restatements are given in Notes 41 and 42 to the Annual Financial Statements.

The municipality changes an Accounting Policy only if the change:

- (a) Is required by a Standard of GRAP; or
- (b) Results in the Annual Financial Statements providing reliable and more relevant information about the effects of transactions, other events or conditions, on the performance or cash flow.

1.2 Critical Judgements, Estimations and Assumptions

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.2.1 Revenue Recognition

Accounting Policy clause 9.2 on *Revenue from Exchange Transactions* and Accounting Policy clause 9.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 (*Revenue from Exchange Transactions*) and GAMAP 9 (*Revenue*) as far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.2.2 Financial Assets and Liabilities

The classification of Financial Assets and Liabilities, into categories, is based on judgement by management.

GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (continued)

1. BASIS OF PRESENTATION (continued)

1.2 Critical Judgements, Estimations and Assumptions (continued)

1.2.3 Impairment of Financial Assets

Accounting Policy clause 5.4 on *Impairment of Financial Assets* describes the process followed to determine the value with which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in IAS 39: *Financial Instruments - Recognition and Measurement*. The management of the municipality is satisfied that impairment of financial assets recorded during the year is appropriate. Details of the impairment loss calculation are provided in Notes 17, 20 and 21 to the Annual Financial Statements.

1.2.4 Useful lives of Property, Plant and Equipment

As described in Accounting Policy clauses 2.2, 3.2 and 4.2, the municipality depreciates / amortises its Property, Plant and Equipment, Intangible Assets and Investment Property, over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge.

1.2.5 Impairment: Write-down of PPE and Inventories

Significant estimates and judgements are made relating to PPE impairment tests and write down of Inventories to Nett Realisable Values.

1.2.6 Defined Benefit Plan Liabilities

As described in Accounting Policy clause 12.3, the municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of IAS 19. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Notes 5 and 6.1 to the Annual Financial Statements.

1.3 Presentation Currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

1.4 Going Concern Assumption

The Annual Financial Statements have been prepared on a going concern basis.

GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (continued)

1. BASIS OF PRESENTATION (continued)

1.5 Offsetting

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.6 Standards, Amendments to Standards and Interpretations issued but not yet Effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

- ◆ GRAP 18 Segment Reporting - issued March 2005
- ◆ GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008
- ◆ GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
- ◆ GRAP 103 Heritage Assets - issued July 2008

Application of all of the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

- ◆ IAS 19 Employee Benefits - effective 1 January 2009
- ◆ IFRIC 17 Distribution of Non-cash Assets to Owners - effective 1 July 2009
- ◆ IAS 39 Financial Instruments: Recognition and Measurement - portions of standard effective 1 July 2009

Management has considered all the of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

See Note 60 to the Annual Financial Statements for more detail.

GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (continued)

2. PROPERTY, PLANT AND EQUIPMENT

2.1 Initial Recognition

Property, Plant and Equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, Plant and Equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (continued)

2. PROPERTY, PLANT AND EQUIPMENT (continued)

2.2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, except for Infrastructure Assets, are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

2.3 Depreciation

Depreciation on assets other than land is calculated on cost, using the straight-line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

Depreciation only commences when the asset is available for use, unless stated otherwise. The depreciation rates are based on the following estimated useful lives:

	Years		Years
Infrastructure		Other	
Roads and Paving	10 - 100	Buildings	25 - 30
Pedestrian Malls	15 - 30	Specialist Vehicles	10 - 15
Electricity	15 - 60	Other Vehicles	5 - 15
Water	15 - 100	Office Equipment	3 - 15
Sewerage	15 - 60	Furniture and Fittings	5 - 15
Housing	30	Watercraft	15 - 20
		Bins and Containers	5 - 15
Community		Specialised Plant and	
Improvements	25 - 30	Equipment	10 - 15
Recreational Facilities	15 - 30	Other Plant and	
Security	15 - 25	Equipment	2 - 15

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

**GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (continued)**

2. PROPERTY, PLANT AND EQUIPMENT (continued)

2.3 Depreciation (continued)

The estimated useful lives and the depreciation methods were not reviewed in the previous financial year as required by GRAP 17 as these requirements have been exempted in terms of General Notice 522 of 2007.

2.4 Land

Land is stated at historical cost and is not depreciated as it is regarded as having an infinite life.

2.5 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

2.6 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the municipality or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

2.7 Heritage Assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to uncertainty regarding their estimated useful lives.

2.8 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the Asset Management Policy.

**GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (continued)**

2. PROPERTY, PLANT AND EQUIPMENT (continued)

2.9 Derecognition of Property, Plant and Equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not included in revenue.

Gains or losses are calculated as the difference between the net book value of assets (cost less accumulated depreciation and accumulated impairment losses) and the proceeds from sales proceeds are included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

2.10 Impairment

2.10.1 Impairment of Cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- ◆ To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

**GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (continued)**

2. PROPERTY, PLANT AND EQUIPMENT (continued)

2.10 Impairment (continued)

2.10.1 Impairment of Cash Generating Assets (continued)

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

2.10.2 Impairment of Non-cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the non-cash generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a non-cash generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- ◆ To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

**GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (continued)**

2. PROPERTY, PLANT AND EQUIPMENT (continued)

2.10 Impairment (continued)

2.10.2 Impairment of Non-cash Generating Assets (continued)

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

2.11 Transitional Provisions

The estimated useful lives and the depreciation methods were not reviewed in the previous financial year as required by GAMAP 17 as these requirements were exempted in terms of General Notice 522 of 2007. The estimated useful lives and depreciation methods have been reviewed for the year ended 30 June 2009 (and not retrospectively as this was not practical), and any changes therein have been implemented in accordance with the requirements of GRAP 17, GRAP 3 and ASB Directive 3.

The municipality did not perform impairment testing on its cash generating assets in the previous financial year as required by IAS 36 / AC128, as this requirement has been exempted in terms of General Notice 522 of 2007. The testing for impairment of cash generating assets has been performed for the year ended 30 June 2009 (and not retrospectively as this was not practical) in accordance with the requirements of IAS 36 / AC128 and GRAP 3.

The municipality did not perform impairment testing on its non-cash generating assets in the previous financial year as required by IAS 36 / AC128, as this requirement has been exempted in terms of General Notice 522 of 2007. The testing for impairment of non-cash generating assets has been performed for the year ended 30 June 2009 (and not retrospectively as this was not practical) in accordance with the requirements of IPSAS 21.

GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (continued)

3. INTANGIBLE ASSETS

3.1 Initial Recognition

Identifiable non-monetary assets without physical substance which are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes are classified and recognised as Intangible Assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- ◆ It is technically feasible to complete the intangible asset so that it will be available for use;
- ◆ Management intends to complete the intangible asset and use or sell it;
- ◆ There is an ability to use or sell the intangible asset;
- ◆ It can be demonstrated how the intangible asset will generate probable future economic benefits;
- ◆ Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- ◆ The expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually, in accordance with IPSAS 21 / IAS 36.

Intangible Assets are initially recognised at cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Where an intangible asset is acquired at no cost or for a nominal consideration, its cost is its fair value as at the date it is acquired. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (continued)

3. INTANGIBLE ASSETS (continued)

3.2 Subsequent Measurement, Amortisation and Impairment

Amortisation is charged on a straight-line basis over the intangible assets' useful lives, which are estimated to be between 3 to 5 years. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, for example servitudes obtained by the municipality give the municipality access to land for specific purposes for an unlimited period – however, such intangible assets are subject to an annual impairment test.

Intangible Assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

3.3 Derecognition

Intangible Assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

3.4 Transitional Provisions

Costs incurred on intangible assets (other than on computer software, servitudes, spatial development plan and the valuation roll) were expensed and not capitalised in the previous financial year as required by IAS 38 as this requirement was exempted in terms of General Notice 522 of 2007. Although the capitalisation of the costs incurred to establish computer software, servitudes, spatial development plan and the valuation roll as an intangible asset was also exempted in the previous financial year in terms of General Notice 522 of 2007, the National Treasury approved a deviation from the basis of accounting applicable to the municipality in terms of the above-mentioned General Notice which granted the municipality the capitalisation of the costs incurred to establish computer software, servitudes, spatial development plan and the valuation roll as intangible assets in the previous financial year. The municipality accounted for all costs incurred that meet the intangible asset definition and recognition requirements as intangible assets for the financial year ended 30 June 2009 in accordance with the requirements of GRAP 102, GRAP 3 and ASB Directive 3.

GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (continued)

4. INVESTMENT PROPERTY

4.1 Initial Recognition

Investment Property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- ◆ All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- ◆ Land held for a currently undetermined future use (If the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- ◆ A building owned by the municipality (or held by the entity under a finance lease) and leased out under one or more operating leases on a commercial basis (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality); and
- ◆ A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (continued)

4. INVESTMENT PROPERTY (continued)

4.1 Initial Recognition (continued)

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-current Assets Held-for-Sale, as appropriate:

- ◆ Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- ◆ Property being constructed or developed on behalf of third parties;
- ◆ Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- ◆ Property that is being constructed or developed for future use as investment property;
- ◆ Property that is leased to another entity under a finance lease;
- ◆ Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- ◆ Property held for strategic purposes or service delivery.

4.2 Subsequent Measurement

Investment Property is measured using the cost model and is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is estimated at 20 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4.3 Transitional Provisions

Investment Properties were not recognised in the previous financial year as required by IAS 40 as these requirements were exempted in terms of General Notice 522 of 2007. Investment properties are recognised, and subsequently measured in accordance with the cost model, in terms of GRAP 16 and have been disclosed for the financial year ended 30 June 2009 (and not retrospectively as this was not practical) in accordance with the requirements of GRAP 16, GRAP 3 and ASB Directive 3.

GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (continued)

5. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either *Financial Assets* or *Financial Liabilities*.

5.1 Financial Assets – Classification

A financial asset is any asset that is cash or a contractual right to receive cash. The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- ◆ Listed Investments (Shares)
- ◆ Investments in Fixed Deposits (Banking Institutions, etc)
- ◆ Long-term Receivables
- ◆ Consumer Debtors
- ◆ Other Debtors
- ◆ Bank, Cash and Cash Equivalents

In accordance with IAS 39.09 the *Financial Assets* of the municipality are classified as follows into the four categories allowed by this standard:

Type of Financial Asset	Classification in terms of IAS 39.09
Listed Investments	Held at fair value through profit or loss
Bank, Cash and Cash Equivalents	Available for sale
Bank, Cash and Cash Equivalents – Call Deposits	Available for sale
Long-term Receivables	Loans and receivables
Consumer Debtors	Loans and receivables
Other Debtors	Loans and receivables
Investments in Fixed Deposits	Held to maturity
Bank, Cash and Cash Equivalents – Notice Deposits	Held to maturity

Financial assets at fair value through profit or loss are financial assets that meet either of the following conditions:

- ◆ They are classified as held for trading; or
- ◆ Upon initial recognition they are designated as at fair value through the Statement of Financial Performance.

Available-for-sale investments are financial assets that are designated as available for sale or are not classified as:

- ◆ Loans and Receivables;
- ◆ Held-to-Maturity Investments; or
- ◆ Financial Assets at fair value through the Statement of Financial Performance.

GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (continued)

5. FINANCIAL INSTRUMENTS (continued)

5.1 Financial Assets (continued)

Loans and Receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Loans and Receivables are recognised initially at cost which represents fair value. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

Held-to-Maturity Investments are financial assets with fixed or determinable payments and fixed maturity where the municipality has the positive intent and ability to hold the investment to maturity.

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). Cash Equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, which are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash-on-hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as Financial Assets: Available for Sale.

5.2 Financial Liabilities – Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- ◆ Long-term Liabilities
- ◆ Creditors
- ◆ Bank Overdraft
- ◆ Short-term loans
- ◆ Current Portion of Long-term Liabilities
- ◆ Consumer Deposits

There are two main categories of *Financial Liabilities*, the classification based on how they are measured. Financial liabilities may be measured at:

- (i) Fair value through profit or loss; or
- (ii) Not at fair value through profit or loss ('other financial liabilities')

GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (continued)

5. FINANCIAL INSTRUMENTS (continued)

5.2 Financial Liabilities – Classification (continued)

Financial liabilities that are measured at fair value through profit or loss are financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives). Financial liabilities that are measured at fair value through profit or loss are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Any other financial liabilities are classified as *Other Financial Liabilities* and are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

In accordance with IAS 39.09 the *Financial Liabilities* of the municipality are all classified as “Other Financial Liabilities”.

5.3 Initial and Subsequent Measurement

5.3.1 Financial Assets:

Held-to-maturity Investments and *Loans and Receivables* are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with revenue recognised on an effective yield basis.

Financial Assets at *Fair Value* and *Available-for-Sale* are initially and subsequently, at the end of each financial year, measured at fair value with the profit or loss being recognised in the Statement of Financial Performance.

5.3.2 Financial Liabilities:

Financial liabilities at fair value are initially and subsequently measured at fair value. Other financial liabilities are measured at amortised cost using the Effective Interest Rate Method.

5.4 Impairment of Financial Assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39.

GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (continued)

5. FINANCIAL INSTRUMENTS (continued)

5.4 Impairment of Financial Assets (continued)

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of trade receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

With the exception of Available-for-Sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of Available-for-Sale equity securities, impairment losses previously recognised through profit or loss are not reversed through the Statement of Financial performance. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

Consumer Debtors are stated at cost less a provision for impairment. The provision is made in accordance with IAS 39.64 whereby the recoverability of Consumer Debtors is assessed individually and then collectively after grouping the assets in financial assets with similar credit risks characteristics. Government accounts are not provided for as such accounts are regarded as receivable.

Loans and Receivables are non-derivative Financial Assets with fixed or determinable payments. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Loans and receivables are recognised initially at cost which represents fair value. After initial recognition Financial Assets are measured at amortised cost, using the Effective Interest Rate Method less a provision for impairment.

GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (continued)

5. FINANCIAL INSTRUMENTS (continued)

5.5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

5.6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

6. RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES

It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date.

Risks and exposure are disclosed as follows:

Credit Risk

- ◆ Each class of financial instrument is disclosed separately.
- ◆ Maximum exposure to credit risk not covered by collateral is specified.
- ◆ Financial instruments covered by collateral are specified.

Liquidity Risk

- ◆ A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities.
- ◆ Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.
- ◆ A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Note 50.9 to the Annual Financial Statements.

GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (continued)

7. INVENTORIES

7.1 Initial Recognition

Inventories comprise current assets held-for-sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

7.2 Subsequent Measurement

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge, they are valued at the lower of cost and current replacement cost.

Water and purified affluent are valued at purified cost insofar as it is stored and controlled in reservoirs at year-end.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

**GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (continued)**

7. INVENTORIES (continued)

7.3 Transitional Provisions

Although the recognition of immovable capital assets with the requirements of GAMAP 12 were exempted in the previous financial year in terms of General Notice 522 of 2007, the National Treasury approved a deviation from the basis of accounting applicable to the municipality in terms of the above-mentioned General Notice which granted the municipality the recognition of immovable capital assets that meet the definition and recognition criteria of inventory, as inventories in the previous financial year. Immovable capital assets that meet the definition and recognition criteria of inventory continued to be recognised as inventories for the financial year ended 30 June 2009 in accordance with the requirements of GRAP 12 and ASB Directive 3.

8. NON-CURRENT ASSETS HELD-FOR-SALE

8.1 Initial Recognition

Non-current Assets and Disposal Groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

8.2 Subsequent Measurement

Non-current Assets and Disposal Groups classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held-for-sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held-for-sale are recognised in surplus or deficit.

GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (continued)

9. REVENUE RECOGNITION

9.1 General

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

9.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

9.2.1 Service Charges

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year end when estimates of consumption up to year end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property and water consumption, using the tariffs approved by Council, and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

**GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (continued)**

9. REVENUE RECOGNITION (continued)

9.2 Revenue from Exchange Transactions (continued)

9.2.2 Prepaid Electricity

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards made seven days before year-end are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

9.2.3 Finance Income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

9.2.4 Rentals Received

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

9.2.5 Dividends

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

9.2.6 Royalties

Royalties are recognised on an accrual basis in accordance with the substance of the relevant agreement. Royalties determined on a time basis, are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

9.2.7 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant advertised tariff. This includes the issuing of licences and permits.

**GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (continued)**

9. REVENUE RECOGNITION (continued)

9.2 Revenue from Exchange Transactions (continued)

9.2.8 Revenue from Agency Services

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified. The revenue recognised is in terms of the agency agreement.

9.2.9 Housing Rental and Instalments

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportion basis.

9.2.10 Sale of Goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- ◆ The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- ◆ The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- ◆ The amount of revenue can be measured reliably.
- ◆ It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- ◆ The costs incurred or to be incurred in respect of the transaction can be measured reliably.

9.3 Revenue from Non-exchange Transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

9.3.1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

**GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (continued)**

9. REVENUE RECOGNITION (continued)

9.3 Revenue from Non-exchange Transactions (continued)

9.3.2 Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

9.3.3 Public Contributions

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Where public contributions have been received and the municipality has not met the condition, a liability is recognised.

9.3.4 Other Donations and Contributions

Donations and Contributions are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are available for use.

9.3.5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (continued)

10. GOVERNMENT GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the Statement of Financial Performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

The municipality accounted for government grants and receipts in the previous financial year in accordance with the requirements of IAS 20, excluding paragraphs 24 and 26 replaced by GAMAP 12.8, GAMAP 17.25 and GAMAP 9.42 – 46. For the year ended 30 June 2009 (and retrospectively, where practicable) government grants and receipts are accounted for in accordance with the requirements of GAMAP 9.42 – .46 and ASB Directives 3 and 5.

11. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (continued)

11. PROVISIONS (continued)

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
 - ◆ The business or part of a business concerned;
 - ◆ The principal locations affected;
 - ◆ The location, function, and approximate number of employees who will be compensated for terminating their services;
 - ◆ The expenditures that will be undertaken; and
 - ◆ When the plan will be implemented.
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

12. EMPLOYEE BENEFITS

12.1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The municipality has opted to treat its provision for leave pay as a provision.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a provision in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

12.2 Defined Contribution Plans

A **defined contribution plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (continued)

12. EMPLOYEE BENEFITS (continued)

12.2 Defined Contribution Plans (continued)

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

12.3 Defined Benefit Plans

A **defined benefit plan** is a plan that defines an amount of benefit that an employee will receive on retirement.

12.3.1 Post-retirement Health Care Benefits

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. The other Medical Aid Funds, with which the Municipality is associated, do not provide for continued membership.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses are accounted for using the "*corridor method*". Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

**GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (continued)**

12. EMPLOYEE BENEFITS (continued)

12.3 Defined Benefit Plans (continued)

12.3.2 Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance.

12.3.3 Exemption regarding defined benefit accounting in previous financial year

Although defined benefit accounting in accordance with the requirements of IAS 19, as far as it relates to defined benefit plans accounted for as defined contribution plans and the defined benefit obligation disclosed by narrative information, has been exempted in the previous financial year in terms of General Notice 522 of 2007, the National Treasury approved a deviation from the basis of accounting applicable to the municipality in terms of the above-mentioned General Notice which granted the municipality defined benefit accounting of its defined benefit plans in the previous financial year. The municipality continued to apply defined benefit accounting to the defined benefit plans for the financial year ended 30 June 2009 in accordance with the requirements of IAS 19.

12.4 Provincially-administered Defined Benefit Plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 51 of the Annual Financial Statements for details). The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Discounted Cash Flow Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (continued)

13. LEASES

13.1 The Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

13.2 The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale revenue is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental revenue is recognised on a straight-line basis over the term of the relevant lease.

**GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (continued)**

13. LEASES (continued)

13.3 Transitional Provisions

Although the recognition of operating lease payments / receipts on a straight-line basis in accordance with the requirements of IAS 17 has been exempted in the previous financial year in terms of General Notice 522 of 2007 (provided that the municipality recognised the lease amounts on the basis of the cash flows in the lease agreement), the National Treasury approved a deviation from the basis of accounting applicable to the municipality in terms of the above-mentioned General Notice which granted the municipality the recognition of operating lease payments / receipts on a straight-line basis in the previous financial year. The municipality continued to recognise operating lease payments / receipts on a straight-line basis for the financial year ended 30 June 2009 in accordance with the requirements of GRAP 13 and ASB Directive 3.

14. BORROWING COSTS

Borrowing costs incurred relating to qualifying assets and all other borrowing costs incurred were recognised as expenses in the Statement of Financial Performance in the previous financial year in accordance with the benchmark treatment in the old IAS 23, i.e. expensing all borrowing costs. The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance for the financial year ending 30 June 2009 in accordance with the requirements of GRAP 5 and ASB Directive 3.

It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established - the municipality expenses borrowing costs when it is inappropriate to capitalise it. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete.

GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (continued)

15. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- ◆ Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- ◆ Expect to be repaid in future; or
- ◆ Expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

16. VALUE ADDED TAX

The Municipality accounts for Value Added Tax on the cash basis.

17. CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

18. UNAUTHORISED EXPENDITURE

Unauthorised Expenditure is expenditure that has not been budgeted for; expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state; and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council, it is treated as an asset until it is recovered or written off as irrecoverable.

GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (continued)

19. IRREGULAR EXPENDITURE

Irregular Expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council, it is treated as an asset until it is recovered or written off as irrecoverable.

20. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and Wasteful Expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by the Council, it is treated as an asset until it is recovered or written off as irrecoverable.

21. FOREIGN CURRENCIES

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance. It was accounted for the effect of changes in foreign exchange rates in the previous financial year in accordance with the requirements of GAMAP 4, if applicable. The municipality accounted for the effect of changes in foreign exchange rates, if applicable, for the financial year ending 30 June 2009 (and retrospectively, where practicable) in accordance with the requirements of GRAP 4, GRAP 3 and ASB Directive 3.

22. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in Accounting Policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality restated the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 42 for details of changes in accounting policies.

GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (continued)

22. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS
(continued)

The retrospective application, where practicable, of changes in accounting policies affected by management in accordance with the requirements of GRAP 3 was exempted in the previous financial year in terms of General Notice 522 of 2007 (providing that these changes in accounting policies were applied prospectively by the municipality). The municipality applied changes in accounting policies affected by management retrospectively, where practicable, for the financial year ended 30 June 2009 in accordance with the requirements of GRAP 3.

Changes in Accounting Estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the Notes to the Annual Financial Statements where applicable.

Correction of Errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 41 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

Although the identification and disclosure of the impact of GRAP standards that have been issued but are not yet effective was exempted in the previous financial year in terms of General Notice 522 of 2007, the National Treasury approved a deviation from the basis of accounting applicable to the municipality in terms of the above-mentioned General Notice which granted the municipality the identification and disclosure of the impact of GRAP standards that have been issued but are not yet effective in the previous financial year. The municipality continued to identify and disclose the impact of GRAP standards that have been issued but are not yet effective for the financial year ended 30 June 2009 in accordance with the requirements of GRAP 3.

23. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

**GOVAN MBEKI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (continued)**

24. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent Assets and Contingent Liabilities are not recognised. Contingencies are disclosed in Notes 53 and 54 to the Annual Financial Statements.

25. EVENTS AFTER THE REPORTING DATE

Events after the Reporting Date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in Note 58 to the Annual Financial Statements.

26. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

27. COMPARATIVE INFORMATION

27.1 Current year comparatives:

Budgeted amounts have been included in the Annual Financial Statements for the current financial year only.

27.2 Prior year comparatives:

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1. GENERAL INFORMATION

Govan Mbeki Municipality (the municipality) is a local government institution in Secunda, southwestern Mpumalanga, and is one of seven local municipalities under the jurisdiction of the Gert Sibande District Municipality. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by The Constitution.

	2009 R	2008 R
2. ACCUMULATED SURPLUS		
The Accumulated Surplus consists of the following Liabilities:		
Capital Replacement Reserve (CRR)	232 160	164 118
Capitalisation Reserve	333 719 426	2 350 460
Donations and Public Contributions Reserve	122 990	61 621
Government Grants Reserve	1 914 223 499	316 839 173
Accumulated Surplus / (Deficit) due to the results of Operations	1 034 252 465	353 573 205
Total Accumulated Surplus	<u>3 282 550 540</u>	<u>672 988 577</u>

Accumulated Surplus has been restated to adhere to the provisions of GAMAP 9 (paragraphs 42 - 46), *Revenue* on revenue from non-exchange transactions. Refer to Notes 41.1 and 41.3 on "Change in Accounting Policy" for details of the restatement.

Furthermore, Accumulated Surplus has been restated to adhere to the provisions of GRAP 13, *Leases*. Refer to Note 41.1 on "Change in Accounting Policy" and Note 42.1 on "Correction of Error" for details of the restatement.

Furthermore, Accumulated Surplus has been restated to adhere to the provisions of IAS 39, *Financial Instruments: Recognition and Measurement*. Refer to Note 41.1 on "Change in Accounting Policy" and Note 42.3 on "Correction of Error" for details of the restatement.

The **Capital Replacement Reserve** is a reserve to finance future capital expenditure and is fully invested in ring-fenced Financial Instrument Investments.

The **Capitalisation Reserve** equals the carrying value of the items of property, plant and equipment from the former legislated funds. The Capitalisation Reserve ensures consumer equity and is not backed by cash.

The **Donations and Public Contributions Reserve** equals the carrying value of the items of property, plant and equipment financed from public contributions and donations. The Donations and Public Contributions Reserve ensures consumer equity and is not backed by cash.

The **Government Grants Reserve** equals the carrying value of the items of property, plant and equipment financed from government grants. The Government Grants Reserve ensures consumer equity and is not backed by cash.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

3. DEFERRED REVENUE

Deferred Revenue has been restated to adhere to the provisions of GAMAP 9 (paragraphs 42 - 46), *Revenue* on revenue from non-exchange transactions, in accounting for assets acquired from Government Grants. Refer to Note 41.3 on "Change in Accounting Policy" for details of the restatement.

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

4. LONG-TERM LIABILITIES

Annuity Loans	32 760 088	16 201 575
Other Loans	70 000 000	70 000 000
Sub-total	102 760 088	86 201 575
Less: Current Portion transferred to Current Liabilities:-	756 183	756 183
Annuity Loans	756 183	756 183
Other Loans	-	-
Total Long-term Liabilities (Neither past due, nor impaired)	102 003 905	85 445 392

4.1 Summary of Arrangements

Annuity Loans are repaid over periods varying from 1 to 11 (2008: 2 to 11) years and at interest rates varying from 8,93% to 16,50% (2008: 9,25% to 16,50%) per annum. Annuity Loans are not secured.

Other Loans are repaid over a period of 2 (2008: 3) years and at interest rates varying from 15,25% to 16,50% (2008: 15,25% to 16,50%) per annum. Other Loans are secured over fixed deposits held by the municipality.

R74 697 238 (2008: R69 632 772) has been invested specifically in a ring-fenced account for the repayment of long-term liabilities. See Notes 15 and 45 for more detail.

Refer to Appendix "A" for more detail on Long-term Liabilities.

	2009	2008
	R	R
5. RETIREMENT BENEFIT LIABILITIES		
5.1 Post-retirement Health Care Benefits Liability		
Balance at beginning of Year	40 210 356	38 020 557
Contributions to Provision	5 241 045	4 176 417
Balance at end of Year	45 451 401	42 196 974
Transfer to Current Provisions	(2 173 692)	(1 986 618)
Total Post-retirement Health Care Benefits Liability	43 277 709	40 210 356

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2009 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service Members (Employees)	101	121
Continuation Members (Retirees, widowers and orphans)	84	85
Total Members	185	206

The liability in respect of past service has been estimated as follows (R million):

In-service Members	9 100	10 870
Continuation Members	30 562	30 292
Total Liability	39 662	41 162

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Keyhealth

The Current-service Cost for the year ending 30 June 2009 is estimated to be R834 560, whereas the cost for the ensuing year is estimated to be R680 598 (2008: R980 920 and R834 560 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	9.22%	10.97%
Health Care Cost Inflation Rate	7.58%	9.78%
Net Effective Discount Rate	1.53%	1.09%
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	41 161 808	39 943 719
Current service costs	834 560	980 920
Interest cost	4 406 484	3 195 498
Benefits paid	(1 986 618)	(1 923 162)
Actuarial losses / (gains)	(4 754 007)	(1 035 166)

Present Value of Fund Obligation at the end of the Year	39 662 228	41 161 808
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Actuarial losses / (gains) unrecognised	5 789 173	1 035 166
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Total Recognised Benefit Liability	45 451 401	42 196 974
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The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	39 662 228	41 161 808
Deficit	39 662 228	41 161 808
Unrecognised Actuarial Gains / (Losses)	5 789 173	1 035 166

Total Benefit Liability	45 451 401	42 196 974
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The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	834 560	980 920
Interest cost	4 406 484	3 195 498

Total Post-retirement Benefit included in Employee Related Costs (Note 26)	5 241 045	4 176 417
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The history of experienced adjustments is as follows:

	2009 R	2008 R	2007 R	2006 R	2005 R
Present Value of Defined Benefit Obligation	39 662 228	41 161 808	39 943 719	37 815 969	-
Deficit	39 662 228	41 161 808	39 943 719	37 815 969	-
Experienced adjustments on Plan Liabilities	(2 687 301)	(1 260 526)	-	-	-

In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2004 reporting period.

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

Increase:

Effect on the aggregate of the current service cost and the interest cost	779 200	675 311
Effect on the defined benefit obligation	4 971 320	5 460 732

Decrease:

Effect on the aggregate of the current service cost and the interest cost	(640 600)	(546 053)
Effect on the defined benefit obligation	(4 167 429)	(4 549 935)

The municipality expects to make a contribution of R4 241million (2008: R5 241 million) to the Defined Benefit Plans during the next financial year.

Refer to Note 51 "Multi-employer Retirement Benefit Information" to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

6. NON-CURRENT PROVISIONS

Provision for Long Service Awards	9 374 439	9 363 620
Provision for Rehabilitation of Land-fill Sites	9 950 010	9 950 010
Total Non-current Provisions	19 324 449	19 313 630

The movement in Non-current Provisions are reconciled as follows:

	Long Service Awards	Land-fill Sites
	R	R
30 June 2009		
Balance at beginning of year	9 363 620	9 950 010
Contributions to provision	1 723 068	-
Transfer to current provisions	(1 712 249)	-
Balance at end of year	9 374 439	9 950 010
30 June 2008		
Balance at beginning of year	9 074 516	17 000 000
Contributions to provision	1 268 231	(7 049 990)
Transfer to current provisions	(979 127)	-
Balance at end of year	9 363 620	9 950 010

6.1 Long Service Awards

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service and every 5 years thereafter to employees. Furthermore a Retirement Gift is payable on retirement to employees with 10 years or more service. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2009 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 1 462 (2008: 1 396) employees were eligible for Long-services Awards.

The Current-service Cost for the year ending 30 June 2009 is estimated to be R962 940, whereas the cost for the ensuing year is estimated to be R1 764 437 (2008: R938 995 and R962 940 respectively).

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	9.17%	10.97%
Cost Inflation Rate	6.56%	9.03%
Net Effective Discount Rate	2.45%	1.78%
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	10 342 747	10 040 195
Current service costs	962 940	938 995
Interest cost	1 080 273	803 216
Benefits paid	(979 127)	(965 679)
Actuarial losses / (gains)	(320 146)	(473 980)

Present Value of Fund Obligation at the end of the Year	11 086 688	10 342 747
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Actuarial losses / (gains) unrecognised	-	-
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Total Recognised Benefit Liability	11 086 688	10 342 747
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The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	11 086 688	10 342 747
Deficit	11 086 688	10 342 747
Actuarial gains / (losses) not recognised	-	-

Total Benefit Liability	11 086 688	10 342 747
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The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	962 940	938 995
Interest cost	1 080 273	803 216
Actuarial losses / (gains)	(320 146)	(473 980)

Total Post-retirement Benefit included in Employee Related Costs (Note 26)	1 723 068	1 268 231
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The history of experienced adjustments is as follows:

	2009 R	2008 R	2007 R	2006 R	2005 R
Present Value of Defined Benefit Obligation	11 086 688	10 342 747	10 040 195	9 369 012	-
Deficit	11 086 688	10 342 747	10 040 195	9 369 012	-

Experienced adjustments on Plan Liabilities	83 218	(403 784)	-	-	-
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In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2004 reporting period.

	2009 R	2008 R
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The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:

Increase:

Effect on the aggregate of the current service cost and the interest cost	164 367	143 157
Effect on the defined benefit obligation	728 897	703 871

Decrease:

Effect on the aggregate of the current service cost and the interest cost	(146 853)	(127 449)
Effect on the defined benefit obligation	(657 486)	(635 050)

The municipality expects to make a contribution of R2 684 million (2008: R2 043 million) to the defined benefit plans during the next financial year.

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

6.2 Rehabilitation of Land-fill Sites

In terms of the licencing of the landfill refuse sites, the municipality will incur licensing and rehabilitation costs of R9,9 million (2008: R 9,9 million) to restore the site at the end of its useful life, estimated to be in 2018. Provision has been made for the net present value of this cost, using the the average cost of borrowing interest rate.

7. CONSUMER DEPOSITS

Electricity and Water	12 741 468	10 999 599
Total Consumer Deposits	12 741 468	10 999 599
Guarantees held in lieu of Electricity and Water Deposits	725 172	725 172

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on Consumer Deposits held.

8. PROVISIONS

Performance Bonus	928 222	949 098
Staff Leave	13 496 586	10 906 454
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 5 above)	2 173 692	1 986 618
Current Portion of Non-Current Provisions (See Note 6 above):	1 712 249	979 127
Long-term Service	1 712 249	979 127
Total Provisions	18 310 749	14 821 297

Provisions have been restated to correctly classify amounts previously included in Creditors. Refer to Note 42.2 on "Correction of Error" for details of the restatement.

Performance Bonuses accrue to senior managers on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

Staff Leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

The movement in current provisions are reconciled as follows:

Current Provisions:

	Performance Bonuses R	Staff Leave R
30 June 2009		
Balance at beginning of year	949 098	10 906 454
Contributions to provision	-	5 518 603
Expenditure incurred	(20 876)	(2 928 472)
Balance at end of year	928 222	13 496 586
30 June 2008		
Balance at beginning of year	278 625	17 800 156
Contributions to provision	670 473	(3 754 767)
Expenditure incurred	-	(3 138 935)
Balance at end of year	949 098	10 906 454

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Current Portion of Non-Current Provisions:

	Long-term Service R	Post-retirement R	Land-fill Sites R
30 June 2009			
Balance at beginning of year	979 127	1 986 618	-
Transfer from non-current	1 712 249	2 173 692	-
Expenditure incurred	(979 127)	(1 986 618)	-
Balance at end of year	<u>1 712 249</u>	<u>2 173 692</u>	<u>-</u>
30 June 2008			
Balance at beginning of year	965 679	1 923 162	-
Transfer from non-current	979 127	1 986 618	-
Expenditure incurred	(965 679)	(1 923 162)	-
Balance at end of year	<u>979 127</u>	<u>1 986 618</u>	<u>-</u>
		2009 R	2008 R

9. CREDITORS

Trade Creditors	3 900 530	716 544
Payments received in Advance	37 736 683	36 100 188
Retentions	18 806 685	12 328 724
Sundry Deposits	1 092 152	1 111 813
Other Creditors	47 739 966	21 934 581
Total Creditors	<u>109 276 016</u>	<u>72 191 851</u>

Creditors have been restated to correctly classify amounts now included in Provisions. Refer to Note 42.2 on "Correction of Error" for details of the restatement.

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

10. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

10.1 Conditional Grants from Other Spheres of Government

	705 457	18 813 225
National Government Grants	2 043	71 918
Provincial Government Grants	487 193	18 525 086
Local Government Grants	216 221	216 221
Total Conditional Grants and Receipts	<u>705 457</u>	<u>18 813 225</u>

The amount for Unspent Conditional Grants and Receipts are deposited in ring-fenced investment accounts until utilised.

See Note 28 for the reconciliation of Grants from Other Spheres of Government.

Refer to Appendix "F" for more detail on Conditional Grants.

11. VAT PAYABLE

Vat Payable	<u>4 175 584</u>	<u>-</u>
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Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

12. OPERATING LEASE LIABILITIES / PAYABLES

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. No liability existed at 30 June as none of the contracts has any escalation clauses.

12.1 Leasing Arrangements

The Municipality as Lessee:

Operating Leases relate to Property, Plant and Equipment with lease terms not longer than 5 years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

12.2 Amounts payable under Operating Leases

At the Reporting Date the municipality had outstanding commitments under Non-cancellable Operating Leases for Property, Plant and Equipment, which fall due as follows:

Vehicles and Other Equipment:

Up to 1 year

2 to 5 years

More than 5 years

	332 425	902 297
	332 425	569 872
	-	332 425
	-	-

Total Operating Lease Arrangements

332 425	902 297
----------------	----------------

The following payments have been recognised as an expense in the Statement of Financial Performance:

Minimum lease payments

569 872	569 872
---------	---------

Total Operating Lease Expenses

569 872	569 872
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The municipality has operating lease agreements for the following classes of assets, which are only significant collectively:

- Office Equipment

No restrictions have been imposed on the municipality in terms of the operating lease agreements.

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

13. PROPERTY, PLANT AND EQUIPMENT

During the year under the review the municipality corrected errors on its Asset Register relating to Immovable Assets that were previously under the control of the municipality, but that were not recorded on its Asset Register and Immovable Assets that were recorded at global amounts and not initially measured and recorded in the significant components making up the Immovable Assets. As sufficient historical data on Immovable Assets, relating to initial cost prices of the Immovable Assets, was not available to the municipality, all Immovable Assets are now recorded at Fair Value (Depreciated Replacement Cost) at 30 June 2009 and the correction on the Asset Register could not be applied retrospectively. Retrospective application is impracticable as a result of the DRC calculation only being done as at 30 June 2009. The process followed was done in order to correct the initial measurement of the infrastructure assets as is allowed in terms of GRAP 17.24. See Note 41.5.

30 June 2009

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Community	Heritage	Other	Housing Development Fund	Total
R	R	R	R	R	R	R	R
Carrying values at 01 July 2008	122 120 516	510 762 010	79 288 776	9 754	19 232 077	39 290 459	770 703 592
Cost	304 243 836	950 275 171	146 763 237	12 000	91 437 483	72 768 795	1 565 500 522
- Completed Assets	304 243 836	943 657 719	146 763 237	12 000	91 437 483	72 768 795	1 558 883 069
- Under Construction	-	6 617 452	-	-	-	-	6 617 452
Correction of error (Note 33)	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-	-
Accumulated Depreciation:	(182 123 320)	(439 513 161)	(67 474 460)	(2 246)	(72 205 406)	(33 478 336)	(794 796 930)
- Cost	(182 123 320)	(439 513 161)	(67 474 460)	(2 246)	(72 205 406)	(33 478 336)	(794 796 930)
- Revaluation	-	-	-	-	-	-	-
Acquisitions	2 045 606	36 009 967	141 679	-	16 964 909	-	55 162 161
Borrowing Costs Capitalised	-	-	-	-	-	-	-
Capital under Construction - Additions	677 955	33 551 157	-	4 624 136	-	-	38 853 249
- Cost	677 955	33 551 157	-	4 624 136	-	-	38 853 249
- Borrowing Costs Capitalised	-	-	-	-	-	-	-
Increases in Revaluation	-	-	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-	-	-
Depreciation:	(5 989 301)	(48 907 886)	(4 730 258)	(613)	(10 734 560)	(2 264 501)	(72 627 119)
- Based on Cost	(5 989 301)	(48 907 886)	(4 730 258)	(613)	(10 734 560)	(2 264 501)	(72 627 119)
- Based on Revaluation	-	-	-	-	-	-	-
Carrying value of Disposals:	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-	-
Carrying value of Transfers to Held-for-Sale:	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-	-
Decreases in Revaluation	-	-	-	-	-	-	-
Impairment Losses	-	-	-	-	-	-	-
Capital under Construction - Completed	-	-	-	-	-	-	-
Other Movements	419 057 962	1 712 646 529	281 662 295	(9 141)	4 538 437	(37 025 959)	2 380 870 123
- Cost	327 892 193	3 847 378 670	504 483 299	(12 000)	(7 948 116)	(72 768 795)	4 599 025 251
- Revaluation	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-
- Accumulated Depreciation	91 165 769	(2 134 732 141)	(222 821 003)	2 859	12 486 553	35 742 836	(2 218 155 127)
- Based on Cost	91 165 769	(2 134 732 141)	(222 821 003)	2 859	12 486 553	35 742 836	(2 218 155 127)
- Based on Revaluation	-	-	-	-	-	-	-
Carrying values at 30 June 2009	537 912 737	2 244 061 777	356 362 493	4 624 136	30 000 863	-	3 172 962 007
Cost	634 859 591	4 867 214 966	651 388 215	4 624 136	100 454 276	-	6 258 541 183
- Completed Assets	634 181 635	4 827 046 356	651 388 215	-	100 454 276	-	6 213 070 482
- Under Construction	677 955	40 168 610	-	4 624 136	-	-	45 470 701
Revaluation	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-	-
Accumulated Depreciation:	(96 946 853)	(2 623 153 188)	(295 025 721)	-	(70 453 413)	-	(3 085 579 176)
- Cost	(96 946 853)	(2 623 153 188)	(295 025 721)	-	(70 453 413)	-	(3 085 579 176)
- Revaluation	-	-	-	-	-	-	-

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2008

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Community	Heritage	Other	Housing Development Fund	Total
	R	R	R	R	R	R	R
Carrying values at 01 July 2007	125 921 995	538 925 399	83 957 813	10 367	23 649 866	41 575 047	814 040 487
Cost	301 538 347	930 422 900	146 707 637	12 000	89 305 640	72 768 795	1 540 755 319
- Completed Assets	301 538 347	925 701 027	146 707 637	12 000	89 305 640	72 768 795	1 536 033 446
- Under Construction	-	4 721 873	-	-	-	-	4 721 873
Correction of error (Note 33)	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-	-
Accumulated Depreciation:	(175 616 352)	(391 497 501)	(62 749 824)	(1 633)	(65 655 774)	(31 193 748)	(726 714 832)
- Cost	(175 616 352)	(391 497 501)	(62 749 824)	(1 633)	(65 655 774)	(31 193 748)	(726 714 832)
- Revaluation	-	-	-	-	-	-	-
Acquisitions	2 705 489	12 776 107	55 600	-	3 412 211	-	18 949 407
Borrowing Costs Capitalised	-	-	-	-	-	-	-
Capital under Construction - Additions:	-	6 617 452	-	-	-	-	6 617 452
- Cost	-	6 617 452	-	-	-	-	6 617 452
- Borrowing Costs Capitalised	-	-	-	-	-	-	-
Increases in Revaluation	-	-	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-	-	-
Depreciation:	(6 506 968)	(47 961 647)	(4 724 637)	(613)	(7 349 930)	(2 284 587)	(68 828 382)
- Based on Cost	(6 506 968)	(47 961 647)	(4 724 637)	(613)	(7 349 930)	(2 284 587)	(68 828 382)
- Based on Revaluation	-	-	-	-	-	-	-
Carrying value of Disposals:	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-	-
Carrying value of Transfers to Held-for-Sale:	-	-	-	-	(75 371)	-	(75 371)
- Cost	-	-	-	-	(821 656)	-	(821 656)
- Revaluation	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	746 285	-	746 285
- Based on Cost	-	-	-	-	746 285	-	746 285
- Based on Revaluation	-	-	-	-	-	-	-
Decreases in Revaluation	-	-	-	-	-	-	-
Impairment Losses	-	-	-	-	-	-	-
Capital under Construction - Completed	-	(4 721 873)	-	-	-	-	(4 721 873)
Other Movements	-	404 699	-	-	(404 699)	-	-
- Cost	-	458 712	-	-	(458 712)	-	-
- Revaluation	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-
- Accumulated Depreciation	-	(54 013)	-	-	54 013	-	-
- Based on Cost	-	(54 013)	-	-	54 013	-	-
- Based on Revaluation	-	-	-	-	-	-	-
Carrying values at 30 June 2008	122 120 516	510 762 010	79 288 776	9 754	19 232 077	39 290 459	770 703 592
Cost	304 243 836	950 275 171	146 763 237	12 000	91 437 483	72 768 795	1 565 500 522
- Completed Assets	304 243 836	943 657 719	146 763 237	12 000	91 437 483	72 768 795	1 558 883 069
- Under Construction	-	6 617 452	-	-	-	-	6 617 452
Revaluation	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-	-
Accumulated Depreciation:	(182 123 320)	(439 513 161)	(67 474 460)	(2 246)	(72 205 406)	(33 478 336)	(794 796 930)
- Cost	(182 123 320)	(439 513 161)	(67 474 460)	(2 246)	(72 205 406)	(33 478 336)	(794 796 930)
- Revaluation	-	-	-	-	-	-	-

Refer to Appendices "B, C and E (2)" for more detail on Property, Plant and Equipment, including those in the course of construction.

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

2009
R

2008
R

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

13.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use:

There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the municipality.

13.2 Carrying Amount of Property, Plant and Equipment retired from active use and held for disposal:

No Property, Plant and Equipment were retired from active use and held for disposal during the financial year.

13.3 Assets pledged as security:

The municipality did not pledge any of its assets as security.

13.4 Impairment of Property, Plant and Equipment:

Impairment of property, plant and equipment was taken into consideration by the consultants, Bigen Africa Services Ltd, during the process of identifying, componentising and measuring immovable assets and included in the Depreciated Replacement Cost calculated during the exercise. The amounts for Impairment were not calculated separately and therefore no impaired values are disclosed.

13.5 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed:

The Remaining Useful Life of property, plant and equipment was taken into consideration by the consultants, Bigen Africa Services Ltd, during the process of identifying, componentising and measuring immovable assets and included in the Depreciated Replacement Cost calculated during the exercise. The amounts for Change in Useful Life were not calculated separately and therefore no changes in values are disclosed.

13.6 Land and Buildings carried at Fair Value:

The municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.

14. INTANGIBLE ASSETS

At Cost less Accumulated Amortisation and Accumulated Impairment Losses

1 504 249 **2 107 369**

The movement in Intangible Assets is reconciled as follows:

	Computer Software	Servitudes	Spatial Dev Plan	Valuation Roll	Total
Carrying values at 01 July 2008	68 860	10 765	1 412 056	615 688	2 107 369
Cost	1 853 860	12 961	1 765 070	926 438	4 558 329
Accumulated Amortisation	(1 785 000)	(2 196)	(353 014)	(310 750)	(2 450 960)
Amortisation:	(57 814)	(432)	(353 014)	(307 844)	(719 104)
Purchased	(57 814)	(432)	(353 014)	(307 844)	(719 104)
Internally Developed	-	-	-	-	-
Transfers:	575 165	(396)	(706 028)	247 244	115 985
At Cost	18 740	-	-	-	18 740
At Accumulated Amortisation	556 425	(396)	(706 028)	247 244	97 245
Carrying values at 30 June 2009	586 211	9 937	353 014	555 088	1 504 249
Cost	1 872 600	12 961	1 765 070	926 438	4 577 069
Accumulated Amortisation	(1 286 389)	(3 024)	(1 412 056)	(371 350)	(3 072 819)

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

				2009 R	2008 R
	Computer Software	Servitudes	Spatial Dev Plan	Valuation Roll	Total
Carrying values at 01 July 2007	160 860	11 197	1 765 070	926 438	2 863 565
Cost	1 853 860	12 961	1 765 070	926 438	4 558 329
Accumulated Amortisation	(1 693 000)	(1 764)	-	-	(1 694 764)
Amortisation:	(92 001)	(432)	(353 014)	(310 750)	(756 196)
Purchased	(92 001)	(432)	(353 014)	(310 750)	(756 196)
Internally Developed	-	-	-	-	-
Transfers:	-	-	-	-	-
At Cost	-	-	-	-	-
At Accumulated Amortisation	-	-	-	-	-
Carrying values at 30 June 2008	68 860	10 765	1 412 056	615 688	2 107 369
Cost	1 853 860	12 961	1 765 070	926 438	4 558 329
Accumulated Amortisation	(1 785 000)	(2 196)	(353 014)	(310 750)	(2 450 960)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 33).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

14.1 Significant Intangible Assets:

Significant Intangible Assets, that did not meet the recognition criteria for Intangible Assets as stipulated in IAS 38 and SIC 32, are the following:

- (i) Website Costs incurred during the last two financial years have been expensed and not recognised as Intangible Assets. The municipality cannot demonstrate how its website will generate probable future economic benefits.

**2009
R** **2008
R**

14.2 Intangible Assets with Indefinite Useful Lives:

The municipality depreciates all its Intangible Assets and no of such assets are regarded as having indefinite useful lives.

14.3 Impairment of Intangible Assets:

Impairment of Intangible Assets was taken into consideration during the process of identifying, componentising and measuring property, plant and equipment and included in the Depreciated Replacement Cost calculated during the exercise. The amounts for Impairment were not calculated separately and therefore no impaired values are disclosed.

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
15. INVESTMENT PROPERTY		
At Cost less Accumulated Depreciation	<u>288 337 604</u>	<u>-</u>
The movement in Investment Property is reconciled as follows:		
Carrying values at 1 July	-	-
Cost	-	-
Accumulated Depreciation	-	-
Accumulated Impairment Losses	-	-
Transfers during the Year:	288 337 604	-
At Cost	293 771 501	-
At Accumulated Depreciation	(5 433 897)	-
At Accumulated Impairment	-	-
Carrying values at 30 June	<u>288 337 604</u>	<u>-</u>
Cost	293 771 501	-
Accumulated Depreciation	(5 433 897)	-
Accumulated Impairment	-	-
Estimated Fair Value of Investment Property at 30 June	<u>288 337 604</u>	<u>-</u>

Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:

Rental Revenue earned from Investment Property	2 833 578	-
--	-----------	---

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

Refer to Appendix "B" for more detail on Investment Property.

15.1 Investment Property carried at Fair Value:

The municipality's Investment Properties are accounted for according to the cost model and therefore no fair value has been determined.

15.2 Impairment of Investment Property:

Impairment of Investment Property was taken into consideration by the consultants, Bigen Africa Services Ltd, during the process of identifying, componentising and measuring immovable assets and included in the Depreciated Replacement Cost calculated during the exercise. The amounts for Impairment were not calculated separately and therefore no impaired values are disclosed.

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
16. NON-CURRENT INVESTMENTS		
Listed		
Listed Shares	369 000	369 000
Financial Instruments		
Fixed Deposits	74 697 238	70 120 114
Total Investments		
All Investments	75 066 238	70 489 114
Less: Short-term Portion transferred to Current Investments	-	-
Total Non-current Investments	75 066 238	70 489 114
Market valuation of Listed Investments		
Listed Shares	376 066	937 269

Listed Shares are investments in shares of public companies with no specific maturity dates or interest rates.

Fixed Deposits are investments with a maturity period of more than 12 months and earn interest rates varying from 9,42 % to 15,27 % per annum.

Fixed Deposits of R74 697 238 (2008: R69 632 772) are ring-fenced for the purposes of repaying Long-term Liabilities as set out in Note 46.

Deposits of R0 (2008: R487 342) are ring-fenced and attributable to the Capital Replacement Reserve.

17. LONG-TERM RECEIVABLES

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2009			
Township Development	239 688	239 688	-
Capitalised Arrear Services	49 299 297	40 933 395	8 365 902
	<u>49 538 985</u>	<u>41 173 083</u>	8 365 902
Less: Current Portion transferred to Current Receivables:-			3 062 100
Township Development			-
Capitalised Arrear Services			3 062 100
Total Long-term Receivables			5 303 802
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2008			
Township Development	239 688	239 688	-
Capitalised Arrear Services	48 772 029	23 497 651	25 274 378
	<u>49 011 717</u>	<u>23 737 339</u>	25 274 378
Less: Current Portion transferred to Current Receivables:-			6 180 100
Township Development			-
Capitalised Arrear Services			6 180 100
Total Long-term Receivables			19 094 278

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

2009
R **2008**
R

Long-term Receivables have been restated for amortised cost to correctly disclose the monies held by the municipality in terms of IAS 39. Refer to Note 42.3 on "Correction of Error" for details of the restatement.

TOWNSHIP DEVELOPMENT

No Development Loans are granted to officials and public anymore. The outstanding amount is in respect of loans granted before 01 July 2005 and will be recovered over the remaining period of the loan agreements.

CAPITALISED ARREAR SERVICES

Arrear amounts on services are capitalised on completion of a formal agreement or upon being handed over to attorneys for collection. These arrear amounts are then paid to the municipality in monthly instalments over a period not exceeding 60 months. No interest is charged on these amounts where the stipulations of the agreement are adhered to.

Long-term Receivables are neither past due nor impaired as management have no concerns over the credit quality of these assets.

2009
R **2008**
R

17.1 Reconciliation of the Provision for Impairment

Balance at beginning of year	23 737 339	23 429 298
Impairment Losses recognised	17 435 744	1 116 553
Impairment Losses reversed	-	(808 512)
Amounts written off as uncollectable	-	-
Amounts recovered	-	-
Balance at end of year	41 173 083	23 737 339

In determining the recoverability of a Long-term Receivable, the municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

18. INVENTORY

Consumable Stores - at cost	3 232 644	2 708 375
Maintenance Materials - at cost	981 208	1 187 181
Spare Parts - at cost	-	93 578
Water - at cost	304 380	251 240
Total Inventory	4 518 231	4 240 375

Inventories are held for own use with the result that no write downs of Inventory to Net Realisable Value were required.

The cost of Inventories recognised as an expense during the period, in respect of both Continuing and Discontinued Operations, was R29,5 million (2008: R17,3 million).

Inventories of R1,06 million (2008: R2,81 million) are expected to be utilised only after more than twelve months.

Inventories of R263 252 (2008: R0) are held as spare parts for infrastructure assets and have been transferred to Property, Plant and Equipment..

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
19. NON-CURRENT ASSETS HELD-FOR-SALE		
Property Held-for-Sale - at cost	343 036	343 036
Total Non-current Assets Held-for-Sale	343 036	343 036
Liabilities associated with Assets classified as Held-for-Sale	-	-
Net Non-current Assets Held-for-Sale	343 036	343 036

19.1 Property Held-for-Sale

The municipality intends to dispose some of its Property, Plant and Equipment through public auction within the next ten months. No impairment loss was recognised on reclassification of the property as held-for-sale nor at 30 June 2009.

20. CONSUMER DEBTORS

	Gross Balances	Provision for Impairment	Net Balances
As at 30 June 2009			
Service Debtors:	252 818 005	214 200 614	38 617 391
Assessment Rates	36 974 253	19 333 441	17 640 812
Electricity	30 735 430	21 970 656	8 764 774
Refuse	49 477 688	46 794 108	2 683 580
Sewerage	51 104 492	48 929 534	2 174 958
Water	84 526 141	77 172 875	7 353 266
Loan Instalments	10 660 219	10 232 441	427 778
Other Debtors	53 393 957	52 787 054	606 904
Total Consumer Debtors	316 872 181	277 220 109	39 652 072
	Gross Balances	Provision for Impairment	Net Balances
As at 30 June 2008			
Service Debtors:	186 686 813	166 929 389	19 757 424
Assessment Rates	33 050 964	25 790 981	7 259 983
Electricity	17 671 127	12 899 705	4 771 422
Refuse	39 751 403	37 937 987	1 813 416
Sewerage	38 509 800	36 769 672	1 740 128
Water	57 703 520	53 531 044	4 172 476
Loan Instalments	8 776 243	8 264 278	511 965
Other Debtors	51 335 218	50 250 966	1 084 251
Total Consumer Debtors	246 798 274	225 444 634	21 353 640

The prior year amounts for Consumer Debtors have been restated for probable revenue to correctly disclose the monies held by the municipality in terms of GRAP 9 and IGRAP 1. Refer to Note 42.4 on "Correction of Error" for details of the restatement.

The prior year amounts for Provision for Impairment have been restated as a result of the above restatement to correctly disclose the monies held by the municipality. Refer to Note 42.5 on "Correction of Error" for details of the restatement.

Consumer Debtors are billed monthly, latest end of month. No interest is charged on trade receivables until the 7th of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Consumer Debtors.

The municipality receives applications that it processes. Deposits are required to be paid for all water accounts opened. There are no consumers who represent more than 5% of the total balance of Consumer Debtors.

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
20.1 Ageing of Consumer Debtors		
Rates: Ageing		
<u>Current:</u>		
0 - 30 days	12 801 500	7 464 331
<u>Past Due:</u>		
31 - 60 Days	1 710 307	1 733 962
61 - 90 Days	1 293 398	1 085 926
91 - 120 Days	1 049 531	1 038 708
+ 120 Days	20 119 518	21 728 037
Total	36 974 253	33 050 964
Electricity: Ageing		
<u>Current:</u>		
0 - 30 days	10 074 843	4 771 422
<u>Past Due:</u>		
31 - 60 Days	1 857 417	1 069 797
61 - 90 Days	1 218 390	651 915
91 - 120 Days	1 000 074	1 045 916
+ 120 Days	16 584 706	10 132 077
Total	30 735 430	17 671 127
Refuse: Ageing		
<u>Current:</u>		
0 - 30 days	4 145 109	2 563 318
<u>Past Due:</u>		
31 - 60 Days	1 443 927	1 304 077
61 - 90 Days	1 300 914	1 157 763
91 - 120 Days	1 247 604	1 095 134
+ 120 Days	41 340 134	33 631 111
Total	49 477 688	39 751 403
Sewerage: Ageing		
<u>Current:</u>		
0 - 30 days	3 631 160	2 758 987
<u>Past Due:</u>		
31 - 60 Days	1 597 382	1 534 520
61 - 90 Days	1 409 230	1 343 459
91 - 120 Days	1 397 860	1 297 304
+ 120 Days	43 068 860	31 575 530
Total	51 104 492	38 509 800
Water: Ageing		
<u>Current:</u>		
0 - 30 days	10 179 508	5 617 758
<u>Past Due:</u>		
31 - 60 Days	3 797 757	3 092 831
61 - 90 Days	3 102 214	2 339 330
91 - 120 Days	2 990 231	2 541 960
+ 120 Days	64 456 431	44 111 641
Total	84 526 141	57 703 520
Loan Instalments: Ageing		
<u>Current:</u>		
0 - 30 days	550 389	584 627
<u>Past Due:</u>		
31 - 60 Days	327 645	429 343
61 - 90 Days	293 275	357 832
91 - 120 Days	364 548	337 468
+ 120 Days	9 124 362	7 066 973
Total	10 660 219	8 776 243

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
Other Debtors: Ageing		
<u>Current:</u>		
0 - 30 days	780 857	1 238 137
<u>Past Due:</u>		
31 - 60 Days	575 644	554 569
61 - 90 Days	551 753	609 369
91 - 120 Days	543 060	572 635
+ 120 Days	50 942 643	48 360 508
Total	53 393 957	51 335 218

As at 30 June 2009 Consumer Debtors of R5 024 584 (2008: R0) were past due but not impaired. The age analysis of these Consumer Debtors are as follows:

31 - 60 Days	1 382 449	-
61 - 90 Days	1 071 352	-
91 - 120 Days	823 421	-
+ 120 Days	1 747 363	-
Total	5 024 584	-

20.2 Summary of Debtors by Customer Classification

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 June 2009				
<u>Current:</u>				
0 - 30 days	26 829 675	15 130 119	156 127	1 859 489
<u>Past Due:</u>				
31 - 60 Days	23 113 226	14 914 339	121 448	1 912 420
61 - 90 Days	8 306 190	3 371 324	65 108	1 477 935
+ 90 Days	198 889 389	36 615 410	582 045	52 228 071
Sub-total	257 138 479	70 031 192	924 728	57 477 915
Less: Provision for bad debts	185 322 773	50 472 317	-	41 425 020
Total Debtors by Customer Classification	71 815 706	19 558 876	924 728	16 052 895

As at 30 June 2008

<u>Current:</u>				
0 - 30 days	22 771 084	8 096 566	47 926	106 164
<u>Past Due:</u>				
31 - 60 Days	9 453 760	2 577 181	17 546	12 334
61 - 90 Days	7 483 755	1 765 592	103 740	10 543
+ 90 Days	214 878 665	38 657 902	154 173	124 943
Sub-total	254 587 264	51 097 241	323 385	253 983
Less: Provision for bad debts	187 604 158	37 653 317	-	187 159
Total Debtors by Customer Classification	66 983 106	13 443 924	323 385	66 824

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
20.3 Reconciliation of the Provision for Impairment		
Balance at beginning of year	225 444 634	168 749 092
Impairment Losses recognised	66 466 555	81 330 200
Impairment Losses reversed	-	-
Amounts written off as uncollectable	(14 691 080)	(24 634 658)
Amounts recovered	-	-
Balance at end of year	277 220 109	225 444 634

In determining the recoverability of debtors, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Consumer Debtors has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

20.4 Ageing of impaired Consumer Debtors

<u>Current:</u>		
0 - 30 days	7 535 879	3 644 940
<u>Past Due:</u>		
31 - 60 Days	9 927 630	9 719 099
61 - 90 Days	8 097 822	7 545 594
91 - 120 Days	7 769 487	7 929 125
+ 120 Days	243 889 291	196 605 876
Long-term Loan Debtors	-	-
Total	277 220 109	225 444 634

21. OTHER DEBTORS

Capital Projects	784 536	784 536
Insurance Claims	63 744	63 744
Sundry Deposits	337 202	337 202
Sundry Debtors	14 410 811	33 905 455
	15 596 293	35 090 937
Less: Provision for Impairment	-	-
Total Other Debtors	15 596 293	35 090 937

Capital Projects are in respect of projects funded by the municipality and for which the funding is awaited from other government institutions..

The **Insurance Claims** instituted against the municipality's insurance company are supported by valid insurance claims which are claimable in terms of the insurance contract entered into by the municipality. The average waiting period depends on the nature of the claim. No interest is charged on outstanding insurance claims.

Included in **Sundry Deposits** is an amount of R162 000 (2008: R162 000) in respect of cash deposits made to Eskom for the supply of electricity.

Included in **Sundry Debtors** is an amount of R22,1 million (2008: R32,1 million) in respect of the consumption of metered services not billed as at 30 June.

21.1 Reconciliation of Provision for Impairment

Balance at beginning of year	-	1 048 258
Impairment Losses recognised	-	-
Impairment Losses reversed	-	(1 048 258)
Balance at end of year	-	-

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
22. BANK, CASH AND OVERDRAFT BALANCES		
Bank, Cash and Cash Equivalents	8 350 248	19 144 647
Bank Overdraft	(21 613 913)	(13 695 394)
Total Bank, Cash and Cash Equivalents	(13 263 665)	5 449 253

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Bank, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

22.1 Current Investment Deposits

Call Deposits	8 046 201	18 863 992
Notice Deposits	285 787	262 396
Short-term Portion of Investments	-	-
Total Current Investment Deposits	8 331 988	19 126 387

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 9,45 % to 11,660 % per annum.

Notice Deposits are investments with a maturity period of less than 12 months and earn interest rates varying from 7,75 % to 9,75 % per annum.

Deposits of R7 123 896 (2008: R18 813 225) are attributable to Unspent Conditional Grants.

Deposits of R1 218 092 (2008: R313 162) are attributable to the Capital Replacement Reserve.

22.2 Bank Accounts

Bank Overdraft	(21 613 913)	(13 695 394)
Total Bank Accounts	(21 613 913)	(13 695 394)

The Municipality has the following bank accounts:

Primary Bank Account

ABSA Bank - Secunda Branch - Account Number 15 1000 0141:

Cash book balance at beginning of year	(13 695 394)	(12 484 318)
Cash book balance at end of year	(21 613 913)	(13 695 394)
Bank statement balance at beginning of year	2 265 260	2 504 551
Bank statement balance at end of year	12 570 623	2 265 260

Interest on overdrawn current accounts are charged at the banker's prime rate plus two percent per annum. Interest is earned at different rates per annum on favourable balances.

22.3 Cash and Cash Equivalents

Cash Floats and Advances	18 260	18 260
Total Cash on hand in Cash Floats, Advances and Equivalents	18 260	18 260

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
23. OPERATING LEASE ASSETS / RECEIVABLES		
Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:		
Balance at beginning of year	38 933	33 762
Operating Lease expenses recorded	82 889	66 462
Operating Lease payments effected	(81 732)	(61 291)
Total Operating Lease Assets	40 091	38 933

The prior year amounts for Operating Lease Assets have been restated to adhere to the disclosure provisions of GRAP 13. Refer to Note 42.1 on "Correction of Error" for details of the restatement.

23.1 Leasing Arrangements

The Municipality as Lessor:

Operating Leases relate to Property owned by the municipality with lease terms of between 3 to 10 years, with an option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

23.2 Amounts receivable under Operating Leases

At the Reporting Date the following lease receipts were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	100 487	117 690
2 to 5 years	187 070	276 089
More than 5 years	1 505	4 150
Total Operating Lease Arrangements - as Lessor	289 062	397 929

No restrictions have been imposed by the municipality in terms of the operating lease agreements.

24. PROPERTY RATES

	Property Valuations		Actual Levies	
	July 2009 R000's	July 2008 R000's		
Residential	10 896 814	4 048 129	66 660 340	84 732 543
Commercial	3 897 527	1 144 345	49 341 226	37 069 925
Agricultural	1 101 930	91 678	301 722	1 366 538
State	76 581	156 626	1 066 622	4 653 231
Municipal	531 963	27 679	-	40 820
Exempted Properties	-	189 385	-	-
Total Assessment Rates	16 504 814	5 657 842	117 369 910	127 863 058

The prior year amounts for Property Rates have been restated for probable revenue to correctly disclose the monies received by the municipality in terms of GRAP 9 and IGRAP 1. Refer to Note 42.4 on "Correction of Error" for details of the restatement.

Assessment Rates are levied on the value of land and improvements, which valuation is performed every four years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

2009
R

2008
R

A general valuation has been performed during the previous financial year and was applied with effect 1 July 2008.

A uniform rate of 0,0070 c/R on residential property and 0,0140 c/R on other property is applied on property valuations with effect of 01 July 2008 in terms of the Property Rates Act to determine assessment rates.

An average general rate of 2,0984 c/R was applied to property valuations to determine assessment rates for the previous year.

A rebate of 40,00% (2007/2008: 40,00%) was allowed on residential properties for pensioners based on the annual income of the ratepayer whilst a discount of 20,00% (2007/2008: 20,00%) was granted on properties owned by the State.

Rates are levied monthly on property owners and are payable the 7th of each month. Property owners can request that the full amount for the year be raised in July in which case the amount has to be paid by 30 September. Interest is levied at a rate determined by council on outstanding rates amounts.

25. SERVICE CHARGES

Sale of Electricity	173 936 777	182 134 144
Sale of Water	105 086 748	95 193 556
Refuse Removal	40 598 161	31 852 362
Sewerage and Sanitation Charges	37 055 277	36 958 825
Total Service Charges	<u>356 676 963</u>	<u>346 138 887</u>

The prior year amounts for Service Charges have been restated for probable revenue to correctly disclose the monies received by the municipality in terms of GRAP 9 and IGRAP 1. Refer to Note 42.4 on "Correction of Error" for details of the restatement.

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

26. RENTAL OF FACILITIES AND EQUIPMENT

Rental Revenue from Amenities	276 597	289 050
Rental Revenue from Buildings	(3 285)	20 432
Rental Revenue from Halls	368 903	382 105
Rental Revenue from Other Facilities	2 833 578	3 142 827
Total Rental of Facilities and Equipment	<u>3 475 793</u>	<u>3 834 414</u>

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
27. INTEREST EARNED		
Property Rates:		
Penalties imposed and Collection Charges	4 170 718	3 896 909
	4 170 718	3 896 909
External Investments:		
Bank Account	783 051	310 643
Investments	6 663 516	7 908 325
	7 446 567	8 218 967
Outstanding Debtors:		
Outstanding Billing Debtors	34 368 023	28 895 546
	34 368 023	28 895 546
Total Interest Earned	45 985 308	41 011 422
Interest Earned on Financial Assets, analysed by category of asset, is as follows:		
Available-for-Sale Financial Assets	7 446 567	8 218 967
Loans and Receivables	38 538 741	32 792 454
	45 985 308	41 011 422

28. GOVERNMENT GRANTS AND SUBSIDIES

Provincial Equitable Share	99 184 786	77 275 835
Provincial Health Subsidies	5 514 488	-
Other Subsidies	2 109 320	1 594 403
Operational Grants	106 808 594	78 870 238
Conditional Grants	79 546 649	24 242 605
National: FMG	569 875	227 733
Provincial: MIG	46 789 809	10 839 657
Provincial: Arts and Culture	434 132	1 451 028
Provincial: Housing Grant	442 789	1 986 549
Provincial: Mineral and Energy Grant	5 387 104	1 230 394
Provincial: MSIG	580 108	854 386
Provincial: Sport and Development	4 676 613	-
Local Government: Gert Sibande District Municipality Grant	20 666 220	7 652 859
Total Government Grants and Subsidies	186 355 243	103 112 843

The comparative figures for Government Grants and Subsidies have been restated to adhere to the provisions of GAMAP 9 (paragraphs 42 - 46), *Revenue* on revenue from non-exchange transactions. Refer to Note 41.2 on "Change in Accounting Policy" for details of the restatement.

28.1 Provincial: Equitable Share

99 184 786	77 275 835
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In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy up to R130, based on the monthly billing, towards the consumer account, which subsidy is determined annually by council. All residential households receive 6 kl water and 50 kWh electricity free every month.

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
28.2 Provincial: Health Subsidies		
Balance unspent at beginning of year	-	-
Current year receipts - included in Public Health vote	5 514 488	-
Conditions met - transferred to Revenue	(5 514 488)	-
Conditions still to be met - transferred to Current Assets (see Note 20)	-	-

This grant has been used exclusively to fund clinic services (included in Appendix "D"), which services are in a process of being transferred to Provincial Government. This grant will then fall away. The conditions of the grant have been met, but no moneys were transferred to the municipality.

28.3 National: FMG Grant

Balance unspent at beginning of year	71 918	299 651
Current year receipts	500 000	-
Conditions met - transferred to Revenue	(569 875)	-
Conditions met - transferred to Deferred Revenue	-	(227 733)
Conditions still to be met - transferred to Liabilities (see Note 10)	2 043	71 918

The Financial Management Grant is paid by National Treasury to high capacity municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

28.4 Provincial: MIG Funds

Balance unspent at beginning of year	19 669 030	1 943 999
Current year receipts	21 604 000	28 564 687
Conditions met - transferred to Revenue	(2 601 312)	(914 605)
Conditions met - transferred to Deferred Revenue	(44 188 496)	(9 925 052)
Conditions still to be met - transferred to Liabilities (see Note 10)	(5 516 779)	19 669 030

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads and sewerage infrastructure as part of the upgrading of previously disadvantaged areas (included in the Roads and Sewerage votes in Appendix "B"). No funds have been withheld.

28.5 Provincial: Department Arts and Culture

Balance unspent at beginning of year	2 431	-
Current year receipts	435 000	1 453 459
Conditions met - transferred to Revenue	(320 962)	(344 053)
Conditions met - transferred to Deferred Revenue	(113 170)	(1 106 975)
Conditions still to be met - transferred to Liabilities (see Note 10)	3 299	2 431

This grant was allocated for the upgrading of library equipment. No funds have been withheld.

28.6 Provincial: Department Local Government (DPLG)

Balance unspent at beginning of year	16 729	16 729
Current year receipts	-	-
Conditions met - transferred to Revenue	-	-
Conditions met - transferred to Deferred Revenue	-	-
Conditions still to be met - transferred to Liabilities (see Note 10)	16 729	16 729

This grant was allocated to improve capacity within the administration of the municipality and was used to improve internal procedures of various processes. No funds have been withheld.

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
28.7 Provincial: Department Housing		
Balance unspent at beginning of year	(220 304)	71 616
Current year receipts	490 930	1 694 629
Conditions met - transferred to Revenue	(442 789)	(1 986 549)
Conditions met - transferred to Deferred Revenue	-	-
Conditions still to be met - transferred to Liabilities (see Note 10)	<u>(172 163)</u>	<u>(220 304)</u>

This grant was allocated to ensure that the Social Housing Programme of Provincial Government was carried out. The municipality acts as agent for the implementation of the plan. No funds have been withheld.

28.8 Provincial - Department Minerals and Energy (DME)

Balance unspent at beginning of year	(1 230 394)	-
Current year receipts	5 888 000	-
Conditions met - transferred to Revenue	-	-
Conditions met - transferred to Deferred Revenue	(5 387 104)	(1 230 394)
Conditions still to be met - transferred to Liabilities (see Note 10)	<u>(729 497)</u>	<u>(1 230 394)</u>

Expenses were incurred to connect houses to the electricity network of the municipality. No funds have been transferred to the municipality.

28.9 Provincial: MSIG

Balance unspent at beginning of year	176 723	297 109
Current year receipts	735 000	734 000
Conditions met - transferred to Revenue	(580 108)	(696 319)
Conditions met - transferred to Deferred Revenue	-	(158 067)
Conditions still to be met - transferred to Liabilities (see Note 10)	<u>331 615</u>	<u>176 723</u>

The Municipal Systems Improvement Grant is allocated to municipalities to improve municipal systems and was used to improve information technology networks and Ward Committee operations. No funds have been withheld.

28.10 Provincial: Sport and Development

Balance unspent at beginning of year	110 871	110 871
Current year receipts	11 119 731	-
Conditions met - transferred to Revenue	(26 000)	-
Conditions met - transferred to Deferred Revenue	(4 650 613)	-
Conditions still to be met - transferred to Liabilities (see Note 10)	<u>6 553 989</u>	<u>110 871</u>

This grant was received for the promotion and development of sport and will be utilised as such as soon as a project has been identified. No funds have been withheld.

28.11 Local Government - Gert Sibande District Municipality Grant (LDM)

Balance unspent at beginning of year	216 221	216 221
Current year receipts	20 666 220	7 652 859
Conditions met - transferred to Revenue	(1 221 933)	(1 225 226)
Conditions met - transferred to Deferred Revenue	(19 444 287)	(6 427 633)
Conditions still to be met - transferred to Liabilities (see Note 10)	<u>216 221</u>	<u>216 221</u>

This grant was used to construct roads, sewerage and water infrastructure as part of the upgrading of informal settlement areas. No funds have been withheld.

28.12 Changes in levels of Government Grants

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2009), government grant funding is expected to increase over the forthcoming three financial years.

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
29. PUBLIC CONTRIBUTIONS AND DONATIONS		
Unconditional Contributions	238 370	151 965
Other Donations	440	-
Total Public Contributions and Donations	238 810	151 965

30. OTHER INCOME

Sundry Services Rendered	2 950 978	3 267 039
Sundry Fees Charged	1 184 183	968 952
Other Income	6 811 774	8 836 412
Inter-departmental Recoveries	13 945 972	6 548 901
Total Other Income	24 892 907	19 621 304

The prior year amount for Other Income has been restated to adhere to the disclosure provisions of GRAP 13. Refer to Note 42.1 on "Correction of Error" for details of the restatement.

The amounts disclosed above for Other Income are in respect of services, other than described in Notes 24 to 27, rendered which are billed to or paid for by the users as the services are required according to approved tariffs. Inter-departmental Recoveries are received from other trading and economic services.

31. EMPLOYEE RELATED COSTS

Employee Related Costs - Salaries and Wages	135 216 517	121 616 193
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	38 325 355	35 403 466
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	18 229 491	7 705 215
Housing Benefits and Allowances	1 493 984	1 199 460
Overtime Payments	24 643 032	22 398 773
Performance Bonuses	400 556	369 088
Defined Benefit Plan Expense:	6 964 112	5 444 648
Current Service Cost	1 797 501	1 919 915
Interest Cost	5 486 758	3 998 714
Net Actuarial (gains)/losses recognised	(320 146)	(473 980)
Total Employee Related Costs	225 273 047	194 136 843

No advances were made to employees. Loans to employees are set out in Note 17.

Remuneration of the Municipal Manager

Annual Remuneration	564 618	487 755
Performance Bonus	-	-
Car Allowance	172 144	172 144
Company Contributions to UIF, Medical and Pension Funds	107 878	102 491
Total	844 641	762 391

Remuneration of the Chief Financial Officer

Annual Remuneration	580 270	439 289
Performance Bonus	72 358	-
Car Allowance	97 840	97 840
Company Contributions to UIF, Medical and Pension Funds	113 237	103 144
Total	863 705	640 273

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
<i>Remuneration of the Director: Corporate Services</i>		
Annual Remuneration	501 373	392 526
Performance Bonus	64 465	-
Car Allowance	96 000	96 000
Company Contributions to UIF, Medical and Pension Funds	132 770	110 400
Total	794 608	598 926
<i>Remuneration of the Director: Environmental Affairs and Tourism</i>		
Annual Remuneration	485 157	373 730
Performance Bonus	63 403	-
Car Allowance	96 000	129 160
Company Contributions to UIF, Medical and Pension Funds	118 821	70 613
Total	763 381	573 504
<i>Remuneration of the Director: Health Services</i>		
Annual Remuneration	470 946	364 679
Performance Bonus	64 461	-
Car Allowance	96 000	96 000
Company Contributions to UIF, Medical and Pension Funds	96 547	76 427
Total	727 954	537 106
<i>Remuneration of the Director: Public Safety</i>		
Annual Remuneration	477 108	369 508
Performance Bonus	63 314	-
Car Allowance	104 000	108 000
Company Contributions to UIF, Medical and Pension Funds	136 050	101 285
Total	780 472	578 793
<i>Remuneration of the Director: Technical and Engineering Services</i>		
Annual Remuneration	455 171	365 399
Performance Bonus	72 555	-
Car Allowance	200 000	160 000
Company Contributions to UIF, Medical and Pension Funds	132 986	110 364
Total	860 713	635 762

No compensation was payable to key management personnel in terms of IAS 19 as at 30 June.

32. REMUNERATION OF COUNCILLORS

Executive Mayor	554 472	511 604
Deputy Executive Mayor	446 757	295 263
Speaker	448 665	170 040
Chief Whip	418 723	316 197
Mayoral Committee Members	2 115 918	1 629 144
Councillors	5 181 678	6 509 128
Company Contributions to UIF, Medical and Pension Funds	1 052 839	1 309 367
Sundry Allowances (Cellular Phones, etc)	1 735 398	576 704
Total Councillors' Remuneration	11 954 452	11 317 448

In-kind Benefits

The Councillors occupying the positions of Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members of the municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.

Tuition fees were paid for Councillors participating in skills development programmes.

Councillors may utilise official Council transportation when engaged in official duties.

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
33. DEPRECIATION AND AMORTISATION		
Depreciation: Property, Plant and Equipment	72 627 119	68 828 382
Amortisation: Intangible Assets	719 104	756 196
Total Depreciation and Amortisation	73 346 223	69 584 579

34. IMPAIRMENT LOSSES

34.1 Impairment Losses on Financial Assets

Impairment Losses Recognised:

	83 902 300	82 446 753
Long-term Receivables	17 435 744	1 116 553
Consumer Debtors	66 466 555	81 330 200
Other Debtors	-	-

Impairment Losses Reversed:

	-	(1 856 769)
Long-term Receivables	-	(808 512)
Consumer Debtors	-	-
Other Debtors	-	(1 048 258)

	83 902 300	80 589 983
Total Impairment Losses	83 902 300	80 589 984

The prior year amount for Long-term Receivables has been restated for amortised cost to correctly disclose the expense incurred by the municipality in terms of IAS 39. Refer to Note 42.3 on "Correction of Error" for details of the restatement.

The prior year amount for Consumer Debtors has been restated to correctly disclose the expense incurred by the municipality. Refer to Note 42.5 on "Correction of Error" for details of the restatement.

35. FINANCE COSTS

Loans and Payables at amortised cost	13 348 637	13 177 944
Bank Overdrafts	240 826	262 143
Other Interest Paid	21 411	-
Total Interest Paid on External Borrowings	13 610 874	13 440 087

The weighted average capitalisation rate on funds borrowed generally is 12,99% per annum (2008: 15,29% per annum).

36. BULK PURCHASES

Electricity	114 869 481	89 330 017
Water	67 957 553	59 617 949
Total Bulk Purchases	182 827 034	148 947 966

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Escom whilst Water is purchased from Rand Water.

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
37. CONTRACTED SERVICES		
Assessment Services	1 418 631	4 643 443
Delivery of Consumer Accounts Services	673 197	671 437
Internal Audit Fees	782 064	500 453
Job Creation Services	13 000	15 000
Legal Services	192 002	63 040
Meter Reading Services	4 098 066	3 685 127
Pre-paid Meter Vending Services	4 098 967	2 717 203
Professional Fees	7 100 738	5 337 256
Security Services	7 191 628	6 530 507
Sewerage Purification Services	8 788 120	3 997 210
Total Bulk Purchases	34 356 413	28 160 678

38. GRANTS AND SUBSIDIES PAID

Community Projects	-	2 532 236
Low Income Subsidy / Free Basic Services	47 574 797	43 844 282
SPCA	173 561	401 260
Other	3 555 644	453 193
Total Grants and Subsidies	51 304 002	47 230 971

Community Projects are in respect of conditional grants utilised for the upliftment of housing and basic service needs of communities within the municipality's area of jurisdiction.

The **Low Income Subsidy/Free Basic Services** is in respect of providing basic service levels to indigent/residential households. Refer to Note 28.1.

The **SPCA** receives a monthly grant to enable them to prevent cruelty to animals. The grant is increased on an annual basis.

The Executive Mayor makes grants available on application after consultation with the Municipal Manager on the merits of such an application.

39. GENERAL EXPENSES

Included in General Expenses is the following:

Advertising, Printing and Stationery	2 118 323	2 242 446
Banking Charges	1 909 338	1 908 773
Casualty Insurance	1 247 881	512 823
Cellular Phones	1 674 121	422 645
Disaster Management	34 283	1 032 993
Insurance	2 549 947	3 974 216
Licence Fees	1 543 232	1 841 695
Membership Fees: Associations and Institutes	1 430 669	1 722 499
Presenting Cost	2 021 442	1 327 057
Rentals: Machinery and Equipment	4 024 051	4 217 086
Rentals: Other Assets	2 283 398	1 850 677
Telephone	3 443 842	3 233 339
Training Levy	1 645 992	1 474 346
Transport Cost	17 566 953	13 175 512
Travelling and Subsistence	1 621 021	1 926 608
Other General Expenses	14 656 195	10 298 053
Inter-departmental Charges	10 482 716	8 322 250
Total General Expenses	70 253 406	59 483 019

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

2009
R

2008
R

The comparative figures for General Expenses have been restated to correct an error contained in the 2007/2008 Annual Financial Statements. Refer to note 42.6 on Correction of Errors for details of the restatement.

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense. Inter-departmental Charges are charged to other trading and economic services for support services rendered.

39.1 Material Losses

	135 500	86 000
Fire Damages	5 000	2 500
Lightning Damages	-	10 000
Public Liability	15 000	5 000
Storm / Wind Damages	2 500	-
Theft	30 000	25 000
Third Party Claims	5 500	6 000
Vandalism	32 500	5 000
Vehicle Damages	45 000	32 500

40. DISCONTINUED OPERATIONS

No operations have been discontinued.

41. CHANGE IN ACCOUNTING POLICY

The municipality adopted the exempted portions of the following International Accounting Standards for the first time during the financial year 2008/2009 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1. These have been implemented as at 30 June 2009:

- GAMAP 9 Revenue (sections applicable to Non-exchange Transactions)
- GRAP 03 Accounting Policies, Changes in Accounting Estimates and Errors
- GRAP 06 Consolidated and Separate Financial Statements
- GRAP 16 Investment Property
- GRAP 17 Property, Plant and Equipment
- GRAP 102 Intangible Assets

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

2009
R

2008
R

41.1 Reclassification of Accumulated Surplus

The prior year figures of Accumulated Surplus has been restated to correctly disclose the monies held by the municipality in terms of the disclosure notes indicated below.

The effect of the changes are as follows:

	Accumulated Surplus
Balances published as at 30 June 2007	390 687 136
Reclassify Government Grant Reserve - Note 41.3	322 833 872
Reclassify Operating Lease Assets / Receivables - Note 42.1	33 762
Reclassify Long-term Receivables - Note 42.3	(23 429 298)
Reclassify VAT Control Accounts - Note 42.6	5 844 842
Restated Balances as at 30 June 2007	695 970 314
Transactions incurred for the Year 2007/2008:	
Reclassification of Accumulated Surplus Account for Carrying Value:	
Correction of Prior Year Errors	617 497
Surplus for the Year	(23 599 234)
Restated Balances as at 30 June 2008	672 988 577

41.2 Reclassification of Revenue and Expenditure:

The prior year figures of Revenue and Expenditure have been restated to correctly disclose the transactions incurred by the municipality in terms of the disclosure notes indicated below.

The effect of the changes are as follows:

	Revenue for the Year	Expenditure for the Year	Deficit for the Year
Total as per AFS previously published for 2007/2008	607 473 544	631 045 216	23 571 672
Reclassify Government Grant Reserve - Note 41.4	(5 994 699)	-	5 994 699
Reclassify Operating Lease Assets / Receivables - Note 42.1	5 171	-	(5 171)
Reclassify Property Rates - Note 42.4	13 115 672	-	(13 115 672)
Reclassify Service Charges - Note 42.4	46 347 928	-	(46 347 928)
Reclassify Provision for Impairment - Note 42.5	-	57 179 046	57 179 046
Reclassify General Expenditure - Note 42.6	-	(3 677 412)	(3 677 412)
Restated Total as per AFS currently disclosed for 2007/2008	660 947 616	684 546 850	23 599 234

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

2009
R **2008**
R

GAMAP 9 - Revenue:

Government Grants, previously recognised in terms of IAS 20 (*Accounting for Government Grants*), have now been recognised in the Annual Financial Statements of the municipality as at 30 June 2009 in terms of GAMAP 9, *Revenue*, paragraphs 42 - 46 on revenue from non-exchange transactions. The full net liabilities have been recognised retrospectively in the Annual Financial Statements.

The comparative amounts have been restated. The effect of the change in Accounting Policy is as follows:

41.3 Reclassification of Deferred Revenue

The prior year figure of Deferred Revenue has been restated to correctly disclose the monies held by the municipality in terms of GAMAP 9.

The effect of the Change in Accounting Policy is as follows:

	Deferred Revenue
Balances published as at 30 June 2007	322 833 872
Reclassify Government Grant Reserve	(322 833 872)
Restated Balances as at 30 June 2007	-
Transactions incurred for the Year 2007/2008:	
Assets obtained from Government Grants	19 075 853
Assets disposed of during Year written-off	(3 403)
Offset of Depreciation	(25 067 150)
Transfer to Accumulated Surplus Account	5 994 699
Restated Balances as at 30 June 2008	-

41.4 Reclassification of Government Grants:

The prior year figures of Government Grants and Subsidies (Note 28) have been restated to correctly classify the transactions related to Assets obtained from Government Grants, previously included in the Deferred Revenue.

The effect of the Change in Accounting Policy is as follows:

	Government Grants
Revenue as per AFS previously published for 2007/2008	109 107 542
Reclassification of Assets obtained from Grants	19 075 853
Reclassification of Assets obtained from Grants disposed of during the Year	(3 403)
Reclassification of Depreciation of Assets obtained from Grants	(25 067 150)
Restated Revenue as per AFS currently disclosed for 2007/2008	103 112 843

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

2009
R

2008
R

GRAP 17 - Property, Plant and Equipment:

Property, Plant and Equipment of the municipality are now recognised in terms of GRAP 17, *Property, Plant and Equipment*, and implemented as at 30 June 2009. As a result of the process of identifying, componentising and measuring immovable assets, in terms of the accounting standard, the values of the municipality's assets were adjusted to Depreciated Replacement Cost.

41.5 Reclassification of PPE, Investment Property and Intangible Assets

The year-end figures for Accumulated Surplus, PPE and Intangible Assets have been restated to correctly disclose the assets held by the municipality in terms of GRAP 17.

	Accumulated Surplus	PPE	Intangible Assets	Investment Property
Original Balances as at 30 June 2009	(613 490 080)	792 091 884	1 388 265	-
Reclassification of Historical Cost	-	4 599 025 251	18 740	293 771 501
Reclassification of Accumulated Depreciation / Amortisation	-	(2 218 155 127)	97 245	(5 433 897)
Capitalisation Reserve	(333 358 640)	-	-	-
Donations and Public Contributions Reserve	(41 566)	-	-	-
Government Grants Reserve	(1 549 823 640)	-	-	-
Retained Income	(785 836 615)	-	-	-
Restated Balances now published per AFS as at 30 June 2009	(3 282 550 540)	3 172 962 007	1 504 249	288 337 604
			2009 R	2008 R

The effect of the above-mentioned changes in Accounting Policies on the profit and loss is a decrease of R5,995 million for the financial year 2007/2008 and the nature of the changes in the Accounting Policies is as follows:

- GAMAP 9 Revenue (sections applicable to Non-exchange Transactions)	-	(5 994 699)
Total Increase / (Decrease) in Surplus as at 30 June	-	(5 994 699)

The above-mentioned changes in Accounting Policies had no effect on the Accumulated Surplus as at 30 June 2008, but the Accumulated Surplus as at 30 June 2007 has increased by R322,8 million.

42. CORRECTION OF ERROR

Corrections were made and appropriated to the Accumulated Surplus Account during the financial years ended 30 June.

Details of the appropriations are as follows:

Corrections to Bank	141 425	(342 206)
Corrections to Creditors	114 574	2 627
Corrections to Debtors	(15 152 851)	503 914
Corrections to Salary Control Accounts	(16 214)	537 239
Corrections to Income	-	(84 077)
Increase / (Decrease) in Accumulated Surplus	(14 913 065)	617 497

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

2009
R

2008
R

42.1 Reclassification of Operating Lease Assets / Receivables

The prior year figures of Accumulated Surplus and Operating Lease Assets / Receivables have been restated to correctly disclose the monies held by the municipality in terms of GRAP 13.

The effect of the Correction of Error is as follows:

	Operating Lease Assets
Balances published as at 30 June 2007	-
Adjustment made to disclose Operating Lease Assets / Receivables	33 762
Restated Balances as at 30 June 2007	33 762
Transactions incurred for the Year 2007/2008:	
Receipts Recorded (straight-line)	66 462
Receipts Effected (actual)	(61 291)
Restated Balances as at 30 June 2008	38 933

42.2 Reclassification of Provisions and Creditors:

The prior year figures of Provisions and Creditors have been restated to correctly classify the nature of Provisions of the municipality in terms of GRAP 19 and the latest directive on Annual Financial Statements of National Treasury.

The effect of the Correction of Error is as follows:

	Provisions	Creditors
Balances previously published per AFS as at 30 June 2008	3 914 843	83 098 305
Reclassification of Staff Leave to reflect the nature of Provisions	10 906 454	(10 906 454)
Balances now published per AFS as at 30 June 2008	14 821 297	72 191 851

42.3 Reclassification of Long-term Receivables

The prior year figures of Accumulated Surplus and Long-term Receivables have been restated to correctly disclose the monies held by the municipality in terms of IAS 39.

The effect of the Correction of Error is as follows:

	Long-term Receivables
Balances published as at 30 June 2007	48 144 767
Adjustment made to disclose Long-term Receivables at Amortised Cost	(23 429 298)
Restated Balances as at 30 June 2007	24 715 469
Transactions incurred for the Year 2007/2008:	
Long-term Debtors	(8 733 550)
Adjustment for Impairment	(308 041)
Adjustment for Short-term Portion	3 420 400
Restated Balances as at 30 June 2008	19 094 278

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
42.4 Reclassification of Consumer Debtors and revenue from Property Rates and Service Charges:		

The prior year figures of Consumer Debtors and revenue from Property Rates and Service Charges have been restated to correctly classify the nature of Consumer Debtors and Revenue of the municipality in terms of GRAP 9 and IGRAP1, probable revenue.

The effect of the Correction of Error is as follows:

	Consumer Debtors	Property Rates	Service Charges
Balances as per AFS previously published for 2007/2008	306 261 874	114 747 387	299 790 958
Reclassification of Revenue not Probable for 2007/2008	(59 463 600)	-	-
Reclassification of Revenue not Probable for Assessment Rates		13 115 672	-
Reclassification of Revenue not Probable for Electricity Sales		-	19 847 639
Reclassification of Revenue not Probable for Refuse Charges		-	5 457 809
Reclassification of Revenue not Probable for Sewerage Charges		-	8 484 648
Reclassification of Revenue not Probable for Water Sales		-	12 557 833
Balances as at 30 June 2008 per AFS published for 2007/2008	246 798 274	127 863 058	346 138 887

42.5 Reclassification of Provision for Impairment and expenditure for the Provision for Impairment:

The prior year figures of Provision for Impairment and Expenditure have been restated as a result of Note 42.4 above to correctly classify the nature of Provision for Impairment held by the municipality.

The effect of the Correction of Error is as follows:

	Provision for Impairment	Impairment Provided
Balances as per AFS previously published for 2007/2008	(281 199 234)	23 410 938
Reclassification of provision made for Impairment	55 754 600	63 172 600
Adjustment for Present Value of Long-term Debtors	-	(5 993 554)
Balances as at 30 June 2008 per AFS published for 2007/2008	(225 444 634)	80 589 984

42.6 Reclassification of VAT Control Accounts

The prior year figures of Accumulated Surplus and VAT Control Accounts have been restated to correctly disclose the monies held by the municipality in terms of the findings by the Auditor-General, reference 1,2, 3 and 4 of the report for 30 June 2008.

The effect of the Correction of Error is as follows:

	VAT Control Accounts
Balances published as at 30 June 2007	(4 668 537)
Adjustment made to disclose correct VAT Debtor Account	5 844 842
Restated Balances as at 30 June 2007	1 176 305
Transactions incurred for the Year 2007/2008:	
VAT Transactions recorded for the Year	(4 404 235)
General Expenditure: Transport Costs	3 677 412
Restated Balances as at 30 June 2008	449 482

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
43. CASH GENERATED BY OPERATIONS		
Surplus / (Deficit) for the Year	(44 585 431)	(23 599 234)
Adjustment for:		
Correction of prior year Error	(14 913 065)	617 497
Depreciation and Amortisation	73 346 223	69 584 579
Gains on Disposal of Property, Plant and Equipment	(1 523 683)	(5 437 403)
Other Movement on Property, Plant and Equipment	(263 252)	-
Contribution to Retirement Benefit Liabilities	5 241 045	4 176 417
Expenditure incurred from Retirement Benefit Liabilities	(1 986 618)	(1 923 162)
Contribution to Provisions - Current	5 518 603	(3 084 294)
Contribution to Provisions - Non-current	1 723 068	(5 781 759)
Expenditure incurred from Provisions	(3 928 475)	(4 104 614)
Contribution to Impairment Provision	83 902 300	80 589 983
Bad Debts Written-off	(14 691 080)	(24 634 658)
Dividends Received	-	(26 289)
Investment Income	(7 446 567)	(8 218 967)
Finance Costs	13 610 874	13 440 087
Operating surplus before working capital changes	94 003 940	91 598 183
Decrease/(Increase) in Inventories	(277 856)	(1 711 081)
Decrease/(Increase) in Non-Current Assets Held-for-Sale	-	(75 371)
Decrease/(Increase) in Consumer Debtors	(70 073 908)	(36 013 834)
Decrease/(Increase) in Other Debtors	19 494 644	(32 027 236)
Decrease/(Increase) in Operating Lease Assets	(1 158)	(5 171)
Increase/(Decrease) in Consumer Deposits	1 741 869	1 758 738
Increase/(Decrease) in Creditors	37 084 166	(1 368 869)
Increase/(Decrease) in Conditional Grants and Receipts	(18 107 768)	15 857 029
Increase/(Decrease) in VAT Payable	4 175 584	1 176 305
Cash generated by / (utilised in) Operations	68 488 995	38 739 211
44. NON-CASH INVESTING AND FINANCING TRANSACTIONS		
The municipality did not enter into any Non-cash Investing and Financing Transactions during the 2007/2008 financial year.		
45. FINANCING FACILITIES		
Unsecured Bank Overdraft Facility, reviewed annually and payable at call:		
- Amount used	-	-
- Amount unused	11 000 000	11 000 000
	11 000 000	11 000 000
Unsecured Vehicle and Asset Finance Facility, reviewed annually:		
- Amount used	-	-
- Amount unused	1 000 000	1 000 000
	1 000 000	1 000 000

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
46. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term Liabilities (See Note 4)	102 760 088	86 201 575
Used to finance Property, Plant and Equipment - at cost	(102 760 088)	(86 201 575)
Sub-total	-	-
Cash set aside for the Repayment of Long-term Liabilities (See Notes 4 and 16)	65 695 856	61 926 896
Cash invested for Repayment of Long-term Liabilities	65 695 856	61 926 896

Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that Long-term Liabilities can be repaid on redemption date.

47. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

47.1 Unauthorised Expenditure

To management's best of knowledge no Unauthorised Expenditure was incurred during the year under review.

47.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful expenditure:

Opening balance	57 746	26 074
Fruitless and Wasteful Expenditure current year	21 411	57 746
Condoned or written off by Council	(57 746)	(26 074)
To be recovered – contingent asset (see Note 54)	-	-
Transfer to receivables for recovery (see Note 21)	-	-
Fruitless and Wasteful Expenditure awaiting condonement	21 411	57 746

Incident	Disciplinary Steps / Criminal Proceedings
<i>Interest on late payment - Various Creditors</i>	<i>None</i>

47.3 Irregular Expenditure

To management's best of knowledge instances of note, indicating that Irregular Expenditure was incurred during the year under review were not revealed.

48. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

48.1 Contributions to organised local government - SALGA

Opening Balance	-	690 730
Council Subscriptions	1 260 924	865 553
Amount Paid - current year	(1 134 610)	(865 553)
Amount Paid - previous years	(126 314)	(690 730)
Balance Unpaid (included in Creditors)	-	-

48.2 Audit Fees

Opening Balance	-	-
Current year Audit Fee	1 271 641	851 769
Amount Paid - current year	(1 271 641)	(851 769)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	-	-

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
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48.3 VAT

VAT inputs receivables and VAT outputs payables are shown in Note 11. All VAT returns have been submitted by the due date throughout the year.

48.4 PAYE and UIF

Opening Balance	-	-
Current year Payroll Deductions	24 968 427	21 942 656
Amount Paid - current year	(24 968 427)	(21 942 656)
Amount Paid - previous years	-	-

Balance Unpaid (included in Creditors)

-	-
---	---

48.5 Pension and Medical Aid Deductions

Opening Balance	-	-
Current year Payroll Deductions and Council Contributions	33 855 961	49 961 716
Amount Paid - current year	(33 855 961)	(49 961 716)
Amount Paid - previous years	-	-

Balance Unpaid (included in Creditors)

-	-
---	---

48.6 Councillor's arrear Consumer Accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at:

30 June 2009	Total	Outstanding up to 90 days	Outstanding more than 90 days
Councillor Dhladhla S J	2 276	406	1 870
Councillor Mathebula S S	2 637	357	2 280
Councillor Mkwanazi D S (ZG)	1 208	273	936
Councillor Mtsweni E & B E	5 495	1 050	4 445
Councillor Ngwenya S (E N Khanye)	15 140	695	14 445
Councillor Nkambinde M A	10 732	195	10 538
Councillor Sikeyi T D (T Dyusha)	1 230	775	455
Councillor Sithole I J (Masina S S)	19 508	1 027	18 481
Councillor Tsotetsi D (J F Bethenze)	3 075	1 200	1 876
Councillor Zulu B S	1 398	734	664
Councillor Zwane S (Khumalo N G)	1 075	405	671
Total Councillor Arrear Consumer Accounts	63 776	7 117	56 660

30 June 2008	Total	Outstanding up to 90 days	Outstanding more than 90 days
Councillor Dyusha T	694	637	57
Councillor Dhladhla S J	927	385	542
Councillor Gwebu N J	1 523	786	738
Councillor Gwiji C V	1 168	668	500
Councillor Hlatshwayo Z A	9 667	1 764	7 903
Councillor Khanye E N	12 974	785	12 189
Councillor Madonsela A B	2 128	697	1 430
Councillor Makhaye S A	12 245	1 031	11 214
Councillor Masina S S	4 474	552	3 921
Councillor Mkhwanazi Z G	651	398	253
Councillor Nkabinde M A	24 394	1 328	23 066
Councillor Nkosi P M	782	470	312
Councillor Nkosi S S	2 410	2 361	49
Councillor Vilakazi S C	7 365	1 328	6 036
Councillor Zulu B S	1 110	528	582
Total Councillor Arrear Consumer Accounts	82 509	13 717	68 792

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
During the year the following Councillors had arrear accounts outstanding for more than 90 days:		
30 June 2009	Highest amount outstanding	Ageing
Councillor Dhladhla S J	360	> 90 Days
Councillor Mathebula S S	72	> 90 Days
Councillor Mkwanazi D S (ZG)	101	> 90 Days
Councillor Mtsweni E & B E	857	> 90 Days
Councillor Ngwenya S (E N Khanye)	267	> 90 Days
Councillor Nkambinde M A	457	> 90 Days
Councillor Sikeyi T D (T Dyusha)	85	> 90 Days
Councillor Sithole I J (Masina S S)	331	> 90 Days
Councillor Tsotetsi D (J F Bethlezi)	328	> 90 Days
Councillor Zulu B S	255	> 90 Days
Councillor Zwane s (Khumalo N G)	83	> 90 Days
30 June 2008	Highest amount outstanding	Ageing
Councillor Buthelezi J F	16 660	> 90 Days
Councillor Dyusha T	62	> 90 Days
Councillor Dhladhla S J	542	> 90 Days
Councillor Gwebu N J	738	> 90 Days
Councillor Gwiji C V	730	> 90 Days
Councillor Hlatshwayo Z A	7 903	> 90 Days
Councillor Khanye E N	12 189	> 90 Days
Councillor Khumalo N G	901	> 90 Days
Councillor Madonsela A B	1 430	> 90 Days
Councillor Makhaye S A	11 214	> 90 Days
Councillor Masina S S	3 921	> 90 Days
Councillor Masombuka P P	477	> 90 Days
Councillor Mkhwanazi Z G	253	> 90 Days
Councillor Nkabinde M A	23 634	> 90 Days
Councillor Nkambule	860	> 90 Days
Councillor Nkosi P M	526	> 90 Days
Councillor Nkosi S S	741	> 90 Days
Councillor Sithole A D	230	> 90 Days
Councillor Van Zyl P W	3 481	> 90 Days
Councillor Vilakazi S C	10 120	> 90 Days
Councillor Zulu B S	918	> 90 Days

**48.7 Non-Compliance with Chapter 11 of the Municipal
Finance Management Act**

No known matters existed at reporting date.

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

2009
R **2008**
R

48.8 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Supply Chain Management Policy approved by Council it is stipulated that bids where the formal procurement processes could not be followed, must be noted in the financial statements.

Deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council.

Department	Date	Successful Tenderer	Reason	Amount
Public Safety	Year 2008/2009	Various occasions (3)	Various, e.g.: Agents, Sole Provider, Warranty, etc	149 832.00 Excluding VAT
3 Occasions during the financial year for various reasons amounting to R149 832,00 (excluding VAT)				
Environmental Affairs & Tourism	Year 2008/2009	Various occasions (6)	Various, e.g. Urgent Matters, Renovations to Stadiums, etc	724 169.60 Excluding VAT
6 Occasions during the financial year for various reasons amounting to R724 169,60 (excluding VAT)				
Technical & Engineering Services	Year 2008/2009	Various occasions (68)	Various, e.g.: Emergency, Breakdown, etc	2 279 146.29 Excluding VAT
68 Occasions during the financial year for various reasons amounting to R2 279 146,29 (excluding VAT)				

49. COMMITMENTS FOR EXPENDITURE

49.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-
 - Infrastructure
 - Community
 - Heritage
 - Other
 - Housing Development Fund
 - Investment Properties

15 411 349	24 765 943
11 777 366	19 446 212
1 966 798	-
955 206	5 319 731
711 980	-
-	-
-	-

- Approved but Not Yet contracted for:-
 - Infrastructure
 - Community
 - Heritage
 - Other
 - Housing Development Fund
 - Investment Properties

-	-
-	-
-	-
-	-
-	-
-	-
-	-

Total Capital Commitments

15 411 349 24 765 943

This expenditure will be financed from:

- External Loans
- Capital Replacement Reserve
- Government Grants
- District Council Grants
- Public Contributions
- Own Resources

-	-
1 333 320	-
12 853 363	23 755 629
-	1 010 314
-	-
1 224 667	-
15 411 349	24 765 943

49.2 Lease Commitments

Non-cancellable Operating Lease Commitments are disclosed in Note 12.

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

2009
R

2008
R

49.3 Other Commitments

The municipality has entered into a contract with SIDAS Security Guards for the provision of security services for the next 2 years (2008: 3 years), which will give rise to an annual charge of approximately R6,3 million.

The municipality has entered into a contract with Electric Field CC for the monthly cut-off action and inspection of meters for tampering for 4 years (2008: 5 years) at a rate of R5,38 per meter.

The municipality has entered into a contract with Sasol Sunfuels (Pty) Ltd for sewer purification, which will give rise to an annual charge of R6,6 million.

The municipality has entered into a contract with Ducharme Consulting Services for the compilation of GAMAP/GRAP-compliant financial statements for 2 years (2008: 3 years), which will give rise to a total charge of R1 398 096.

50. FINANCIAL INSTRUMENTS

50.1 Classification

FINANCIAL ASSETS:

In accordance with IAS 39.09 the Financial Assets of the municipality are classified as follows (FVTPL = Fair Value through Profit or Loss):

<u>Financial Assets</u>	<u>Classification</u>		
Non-current Investments			
Listed Investments	Held to maturity	369 000	369 000
Fixed Deposits	Held to maturity	74 697 238	70 120 114
Long-term Receivables			
Township Development	Loans and receivables	239 688	239 688
Capitalised Arrear Services	Loans and receivables	46 237 197	42 591 929
Consumer Debtors			
Assessment Rates	Loans and receivables	17 640 812	7 259 983
Electricity	Loans and receivables	8 764 774	4 771 422
Refuse	Loans and receivables	2 683 580	1 813 416
Sewerage	Loans and receivables	2 174 958	1 740 128
Water	Loans and receivables	7 353 266	4 172 476
Loan Instalments	Loans and receivables	427 778	511 965
Other Debtors	Loans and receivables	606 904	1 084 251
Other Debtors			
Sundry Deposits	Loans and receivables	337 202	337 202
Sundry Debtors	Loans and receivables	14 410 811	33 905 455
Capital Projects	Loans and receivables	784 536	784 536
Insurance Claims	Loans and receivables	63 744	63 744
Bank, Cash and Cash Equivalents			
Call Deposits	Available for sale	8 046 201	18 863 992
Notice Deposits	Held to maturity	285 787	262 396
Bank Balances	Available for sale	-	-
Cash Floats and Advances	Available for sale	18 260	18 260
Current Portion of Long-term Receivables			
Capitalised Arrear Services	Loans and receivables	3 062 100	6 180 100

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

		2009 R	2008 R
SUMMARY OF FINANCIAL ASSETS			
Held to maturity:			
Non-current Investments	Listed Investments	369 000	369 000
Non-current Investments	Fixed Deposits	74 697 238	70 120 114
Bank,Cash and Cash Equivalents	Notice Deposits	285 787	262 396
		<u>75 352 025</u>	<u>70 751 510</u>
Loans and Receivables			
Long-term Receivables	Township Development	239 688	239 688
Long-term Receivables	Capitalised Areear Services	46 237 197	42 591 929
Consumer Debtors	Assessment Rates	17 640 812	7 259 983
Consumer Debtors	Electricity	8 764 774	4 771 422
Consumer Debtors	Refuse	2 683 580	1 813 416
Consumer Debtors	Sewerage	2 174 958	1 740 128
Consumer Debtors	Water	7 353 266	4 172 476
Consumer Debtors	Loan Instalments	427 778	511 965
Consumer Debtors	Other Debtors	606 904	1 084 251
Other Debtors	Sundry Deposits	337 202	337 202
Other Debtors	Sundry Debtors	14 410 811	33 905 455
Other Debtors	Capital Projects	784 536	784 536
Other Debtors	Insurance Claims	63 744	63 744
Current Portion of Long-term Receivables	Capitalised Areear Services	3 062 100	6 180 100
		<u>104 787 350</u>	<u>105 456 294</u>
Available for Sale:			
Bank,Cash and Cash Equivalents	Call Deposits	8 046 201	18 863 992
Bank,Cash and Cash Equivalents	Cash Floats and Advances	18 260	18 260
		<u>8 064 461</u>	<u>18 882 252</u>
Total Financial Assets		<u>188 203 836</u>	<u>195 090 055</u>

FINANCIAL LIABILITIES:

In accordance with IAS 39.09 the Financial Liabilities of the municipality are classified as follows
(FVTPL = Fair Value through Profit or Loss):

<u>Financial Liabilities</u>	<u>Classification</u>		
Long-term Liabilities			
Annuity Loans	Financial liabilities at amortised cost	32 003 905	15 445 392
Other Loans	Financial liabilities at amortised cost	70 000 000	70 000 000
Consumer Deposits			
Electricity and Water	Financial liabilities at amortised cost	12 741 468	10 999 599
Creditors			
Trade Creditors	Financial liabilities at amortised cost	3 900 530	716 544
Payments received in Advance	Financial liabilities at amortised cost	37 736 683	36 100 188
Retentions	Financial liabilities at amortised cost	18 806 685	12 328 724
Sundry Deposits	Financial liabilities at amortised cost	1 092 152	1 111 813
Other Creditors	Financial liabilities at amortised cost	47 739 966	21 934 581
Bank Overdraft			
Bank Overdraft	Financial liabilities at amortised cost	21 613 913	13 695 394
Current Portion of Long-term Liabilities			
Annuity Loans	Financial liabilities at amortised cost	756 183	756 183

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

		2009 R	2008 R
SUMMARY OF FINANCIAL LIABILITIES			
Financial Liabilities at Amortised Cost:			
Long-term Liabilities	Annuity Loans	32 003 905	15 445 392
Long-term Liabilities	Other Loans	70 000 000	70 000 000
Consumer Deposits	Electricity and Water	12 741 468	10 999 599
Creditors	Trade Creditors	3 900 530	716 544
Creditors	Payments received in Advance	37 736 683	36 100 188
Creditors	Retentions	18 806 685	12 328 724
Creditors	Sundry Deposits	1 092 152	1 111 813
Creditors	Other Creditors	47 739 966	21 934 581
Bank Overdraft	Bank Overdraft	21 613 913	13 695 394
Current Portion of Long-term Liabilities	Annuity Loans	756 183	756 183
		<u>246 391 485</u>	<u>183 088 419</u>
Total Financial Liabilities		<u>246 391 485</u>	<u>183 088 419</u>

50.2 Fair Value of Financial Instruments

The Fair Values of Financial Assets and Financial Liabilities are determined as follows:

- the Fair Value of Financial Assets and Financial Liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;

In accordance with IAS 39.09 the Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

	30 June 2009		30 June 2008	
	Carrying Amount R	Fair Value R	Carrying Amount R	Fair Value R
FINANCIAL ASSETS				
Held to maturity:	75 352 025	75 359 091	70 751 510	71 319 779
Listed Investments	369 000	376 066	369 000	937 269
Fixed Deposits	74 697 238	74 697 238	70 120 114	70 120 114
Notice Deposits	285 787	285 787	262 396	262 396
Loans and Receivables	104 787 350	104 787 350	105 456 294	105 456 294
Long-term Receivables	46 476 885	46 476 885	42 831 617	42 831 617
Consumer Debtors	39 652 072	39 652 072	21 353 640	21 353 640
Other Debtors	15 596 293	15 596 293	35 090 937	35 090 937
Current Portion of Long-term Receivables	3 062 100	3 062 100	6 180 100	6 180 100
Available for Sale	8 064 461	8 064 461	18 882 252	18 882 252
Call Deposits	8 046 201	8 046 201	18 863 992	18 863 992
Bank Balances and Cash	18 260	18 260	18 260	18 260
Total Financial Assets	<u>188 203 836</u>	<u>188 210 902</u>	<u>195 090 055</u>	<u>195 658 324</u>

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

			2009 R	2008 R
FINANCIAL LIABILITIES				
At Amortised Cost:	246 391 485	246 391 485	183 088 419	183 088 419
Unsecured Bank Facilities:	123 617 818	123 617 818	99 140 786	99 140 786
- Annuity Loans	32 003 905	32 003 905	15 445 392	15 445 392
- Other Loans	70 000 000	70 000 000	70 000 000	70 000 000
- Bank Overdraft	21 613 913	21 613 913	13 695 394	13 695 394
Trade and Other Payables:	122 773 667	122 773 667	83 947 632	83 947 632
- Consumer Deposits	12 741 468	12 741 468	10 999 599	10 999 599
- Creditors	109 276 016	109 276 016	72 191 851	72 191 851
- Current Portion of Long-term Liabilities	756 183	756 183	756 183	756 183
Total Financial Liabilities	246 391 485	246 391 485	183 088 419	183 088 419
Total Financial Instruments	(58 187 649)	(58 180 583)	12 001 637	12 569 906
Unrecognised Gain / (Loss)		7 066		568 269

50.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2007.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 4, Bank, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 2 and the Statement of Changes in Net Assets.

Gearing Ratio

	2009 R	2008 R
The gearing ratio at the year-end was as follows:		
Debt	124 374 001	99 896 970
Bank, Cash and Cash Equivalents	(8 064 461)	(18 882 252)
Net Debt	116 309 540	81 014 718
Equity	3 398 860 080	754 003 295
Net debt to equity ratio	3.42%	10.74%

Debt is defined as Long- and Short-term Liabilities, as detailed in Note 4.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance.

50.4 Financial Risk Management Objectives

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Directorate: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

2009	2008
R	R

50.5 Significant Accounting Policies

Details of the significant Accounting Policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of Financial Asset, Financial Liability and Equity Instrument are disclosed in the Accounting Policies to the Annual Financial Statements.

50.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 56.2.2 below). No formal policy exists to hedge volatilities in the interest rate market.

50.6.1 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

50.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. No investment with a tenure exceeding twelve months shall be made without consultation with the councillor responsible for financial matters.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to interest rate risk as the municipality borrows funds at fixed interest rates.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis

The municipality had no floating rate long-term financial instruments at year-end requiring an Interest Rate Sensitivity Analysis.

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

50. FINANCIAL INSTRUMENTS (Continued)

50.7 Effective Interest Rates and Repricing Analysis

In accordance with IAS 32.67(a) and (b) the following tables indicate the average effective interest rates of Income-earning Financial Assets and Interest-bearing Financial Liabilities at the reporting date and the periods in which they mature or, if earlier, reprice:

30 June 2009

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
FIXED RATE INSTRUMENTS								
Held-to-maturity Investments	16		74 697 238	-	-	74 697 238	-	-
Fixed Deposits			74 697 238	-	-	74 697 238	-	-
Secured Bank Facilities	4		(70 000 000)	-	-	-	(70 000 000)	-
INCA		15.25%	(30 000 000)	-	-	-	(30 000 000)	-
INCA		16.50%	(40 000 000)	-	-	-	(40 000 000)	-
Unsecured Bank Facilities	4		(32 760 088)	-	-	(15 679)	(1 411 829)	(31 332 580)
ABSA		14.50%	(1 388 333)	-	-	-	(1 388 333)	-
DBSA		15.50%	(264 973)	-	-	-	-	(264 973)
DBSA		15.50%	(497 018)	-	-	-	-	(497 018)
DBSA		9.25%	(15 679)	-	-	(15 679)	-	-
DBSA		10.05%	(23 496)	-	-	-	(23 496)	-
DBSA		16.50%	(4 193 765)	-	-	-	-	(4 193 765)
DBSA		8.93%	(8 876 823)	-	-	-	-	(8 876 823)
DBSA		11.55%	(17 500 000)	-	-	-	-	(17 500 000)
Total Fixed Rate Instruments			(28 062 850)	-	-	74 681 559	(71 411 829)	(31 332 580)
VARIABLE RATE INSTRUMENTS								
Short-term Investment Deposits	22		8 331 988	8 331 988	-	-	-	-
Bank Balances and Cash	22		18 260	18 260	-	-	-	-
Total Fixed Rate Instruments			8 350 248	8 350 248	-	-	-	-

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

30 June 2008

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
FIXED RATE INSTRUMENTS								
Held-to-maturity Investments	16		70 120 114	-	-	70 120 114	-	-
Fixed Deposits			70 120 114	-	-	70 120 114	-	-
Secured Bank Facilities	4		(70 000 000)	-	-	-	(70 000 000)	-
INCA		15.25%	(30 000 000)	-	-	-	(30 000 000)	-
INCA		16.50%	(40 000 000)	-	-	-	(40 000 000)	-
Unsecured Bank Facilities	4		(16 201 575)	-	-	(30 003)	(1 765 674)	(14 405 899)
ABSA		14.50%	(1 732 049)	-	-	-	(1 732 049)	-
DBSA		15.50%	(274 871)	-	-	-	-	(274 871)
DBSA		15.50%	(515 035)	-	-	-	-	(515 035)
DBSA		9.25%	(30 003)	-	-	(30 003)	-	-
DBSA		10.05%	(33 625)	-	-	-	(33 625)	-
DBSA		16.50%	(4 337 686)	-	-	-	-	(4 337 686)
DBSA		8.93%	(9 278 306)	-	-	-	-	(9 278 306)
DBSA		11.55%	-	-	-	-	-	-
Total Fixed Rate Instruments			(16 081 461)	-	-	70 090 111	(71 765 674)	(14 405 899)
VARIABLE RATE INSTRUMENTS								
Short-term Investment Deposits	22		19 126 387	19 126 387	-	-	-	-
Bank Balances and Cash	22		18 260	18 260	-	-	-	-
Total Fixed Rate Instruments			19 144 647	19 144 647	-	-	-	-

50.8 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

50.9 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 45 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk.

Liquidity and Interest Risk Tables

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2009								
Non-interest Bearing		0.00%	122 017 484	122 017 484	-	-	-	-
Fixed Interest Rate Instruments		13.35%	137 666 814	8 847 713	8 847 713	87 678 648	18 324 404	13 968 336
			259 684 297	130 865 197	8 847 713	87 678 648	18 324 404	13 968 336
30 June 2008								
Non-interest Bearing		0.00%	83 191 449	83 191 449	-	-	-	-
Fixed Interest Rate Instruments		13.35%	155 362 239	8 847 713	8 847 713	17 695 426	100 086 042	19 885 346
			238 553 688	92 039 162	8 847 713	17 695 426	100 086 042	19 885 346

GOVAN MBEKI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

2009
R **2008**
R

50. FINANCIAL INSTRUMENTS (Continued)

50.10 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses other publicly available financial information and its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting maximum terms, which are included in the municipality's Investment Policy. These limits are reviewed annually by the CFO and authorised by the Council.

Trade Receivables consist of a large number of customers, spread across diverse industries in the geographical area of the municipality. Periodic credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee is increased accordingly.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics, except for Sasol who has large investments in the municipal area and does not pose any risk. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The table below shows the balance of the 5 major counterparties at the balance sheet date. Management is of the opinion that, although these parties are the 5 counterparties with highest outstanding balances, no significant credit risk exposure exists for Sasol and Peermont Global, based on the payment history of the parties. Significant credit risk exposure exists for Gert Sibande, Las Vegas and Swanepoel J H, based on the payment history of these parties, but ample provision for empairment has been made.

Counterparty and Location	30 June 2009		30 June 2008	
	Credit Limit R	Carrying Amount R	Credit Limit R	Carrying Amount R
Gert Sibande District Municipality	-	4 735 108	-	4 665 217
Las Vegas	-	3 129 039	-	2 434 620
Sasol Synfuels (Pty) Ltd	-	2 556 781	-	-
Swanepoel JH	-	661 795	-	-
Peermont Global (Southern Africa)	-	511 006	-	-
Everprop (Pty) Ltd	-	-	-	1 781 833
Tropical Paradise Trading	-	-	-	749 004
Sasol Oil (Pty) Ltd	-	-	-	690 946

Except as detailed in the following table, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Fixed Deposit Investments	75 066 238	70 489 114
Long-term Receivables	49 538 985	49 011 717
Consumer Debtors	39 652 072	21 353 640
Other Debtors	15 596 293	35 090 937
Bank, Cash and Cash Equivalents	8 350 248	19 144 647
Maximum Credit and Interest Risk Exposure	188 203 836	195 090 055
Credit quality of Financial Assets:		
The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:		
Long-term Receivables		
Group 3	8 365 902	25 274 378
Total Long-term Receivables	8 365 902	25 274 378
Consumer Debtors		
Counterparties without external credit rating:-		
Group 2	39 652 072	21 353 640
	39 652 072	21 353 640
Total Consumer Debtors	39 652 072	21 353 640
Other Debtors		
Group 1	12 665 279	33 240 611
Group 2	2 931 014	1 850 327
Total Other Debtors	15 596 293	35 090 937
Bank Balances		
ABSA Bank	8 350 248	19 144 647
Total Bank Balances	8 350 248	19 144 647

Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

Group 2 - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.

Group 3 - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger.

None of the financial assets that are fully performing have been renegotiated in the last year.

51. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

Govan Mbeki Municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R26,9 million (2008: R25,2 million) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

DEFINED BENEFIT SCHEMES

Joint Municipal Pension Fund:

The scheme is subject to a bi-annual actuarial valuation. The last statutory valuation was performed as at 30 September 2007.

The statutory valuation performed as at 30 September 2007 revealed that the fund had a surplus of R82,1 (31 December 2005: shortfall of R44,2) million, with a funding level of 123,7% (31 December 2005: unknown). The contribution rate paid by the members (9,00%) and municipalities (22,00%) has a shortfall of 0,90%, but can be covered by the available margin in the fund.

Local Government Pension Fund:

No details could be provided for the fund and of any valuation performed.

A contribution rate is paid by the members (7,50%) and municipalities (15,00%, 18,00%, 18,07% and 22,00%).

Municipal Employees Pension Fund:

No details could be provided for the fund and of any valuation performed.

A contribution rate is paid by the members (7,50%) and municipalities (22,00%).

South African Local Authorities Pension Fund (SALA):

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 1 July 2007.

The statutory valuation performed as at 1 July 2007 revealed that the fund had a surplus of 558,4 (1 July 2006: R286,0) million, with a funding level of 110% (1 July 2006: 106%). The contribution rate paid by the members (7,50% to 9,00%) and the municipalities (15,00% to 20,80%) is sufficient to fund the benefits accruing from the fund in the future.

DEFINED CONTRIBUTION SCHEMES

Municipal Councillors Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2006.

The statutory valuation performed as at 30 June 2006 revealed that the fund had a funding ratio of 106.5%. The contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

No further details could be provided for after the last valuation, being 30 June 2006.

Municipal Gratuity Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2007.

The valuation performed as at 30 June 2007 revealed that the market value of the fund was R7 926,3 (30 June 2005: unknown) billion. The contribution rate payable (7,50% by the member and 22,00% by the employer), is 0,10% lower than the 5,00% available to cover the cost of benefits and expenses, but can be absorbed by the current balance in the Risk reserve. The fund was certified to be in sound financial condition as at 30 June 2007.

National Fund for Municipal Workers:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 1 July 2007.

The statutory valuation performed as at 1 July 2007 revealed that the fund had a surplus of 9,7 (1 July 2006: deficit R4,3) million, with a funding level of 100,3% (1 July 2006: 99,8%). The contribution rate paid by the members (2,00% to 7,00%) and the municipalities (2,00% to 7,00%) is sufficient to fund the benefits accruing from the fund in the future.

South African Municipal Workers Union National Provident Fund:

The scheme is subject to an tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2005.

The statutory valuation performed as at 30 June 2005 revealed that the fund had a funding ratio of 100.0% (30 June 2002: 100,0%). The contribution rate paid by the members (not less than 5,00%) and Council (not less than 12,00%) is sufficient to fund the benefits

None of the above mentioned plans are State Plans.

52. RELATED PARTY TRANSACTIONS**52.1 Interest of Related Parties**

Councillors and/or management of the municipality have relationships with businesses as indicated below:

Name of Related Person	Designation	Description of Related Party Relationship
Badenhorst H J	Councillor	Managing Director of Dinyane Education and Training
Dhlamini M D	Councillor	60% in J D D Transport
Dlamini D M	Councillor	50% shareholder in Key Mavis Skills & architectural Draughting
Labuschange P J	Councillor	100% shareholding in Uthingo Civils and 60% Zonki-Zizwe Pty Ltd
Madonsela M D	Councillor	100% in Mtimandza Construction
Makhanye A S	Councillor	Partner in Amadeke building Construction
Masilela J	Councillor	25% shareholder in Kweesta Education, Empowerment & Developments
Masombula P P	Councillor	Lokoza Security
Mtsweni O	Councillor	Partner in Pula Nala Investment PTY and Purple Plum Property Inv Ltd Pty
Nkosi M J	Councillor	33% Shareholder in Inqolobane and 50% Little Swift Investment
Nkosi P M	Councillor	Shareholder in Telkom and ICI
Van Zyl P W	Councillor	50% share in V@Builders
Aphana K	Official	25 Shares in Sasol Limited, director / partner in Threesome TKP
Maseko E N	Official	100 Shares at Multichoice and 200 shares at Abil, 100% owner in Malithi Transport Services
Mathunyane L H	Official	1 Share in Telkom SA Ltd
Michele M E	Official	100% owner of Melato Admin Services, 4% Uptown Estate Agency and 10% DP Michele Attorneys
Ndlovu N	Official	50% shares in Norams Transport
Rohan K	Official	50% in Shammy Shine Car Wash and 50% in Khomanani Development and Director / Partner in Threesome TKP
Zikalala S S	Official	5% Nana Enterprise, 1 ordinary share NAIL

52.2 Services rendered to Related Parties

During the year the municipality rendered services to the following related parties that are related to the municipality as indicated:

	Rates Charges R	Service Charges R	Sundry Charges R	Outstanding Balances R
For the Year ended 30 June 2009				
Councillors	87 535	202 265	-	87 266
Municipal Manager and Section 57 Personnel	24 115	5 419	-	42 909
Total Services	111 650	207 684	-	130 174
For the Year ended 30 June 2008				
Councillors	67 048	226 724	6 481	184 592
Municipal Manager and Section 57 Personnel	17 784	47 465	14 861	6 358
Total Services	84 832	274 189	21 342	190 950

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Municipal Manager and Section 57 Personnel not on the salary deduction list. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

52.2 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. Loans, together with the conditions thereof, granted prior to this date are disclosed in Note 17 to the Annual Financial Statements.

52.3 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Notes 31 and 32 respectively, to the Annual Financial Statements.

**2009
R**

**2008
R**

52.4 Purchases from Related Parties

The municipality did not buy goods from any companies which can be considered to be Related Parties.

53. CONTINGENT LIABILITIES

53.1 Guarantees:

(i) The municipality ceded an amount of R253 000,00 of its revenue streams/future revenue streams in favour of Eskom for the supply of electricity.

(ii) The municipality issued a bank guarantee in the amount of R100 000 in favour of Eskom to cover deposits on the electricity accounts of the municipality.

353 000

353 000

53.2 Court Proceedings:

(i) Council is being sued by JC Roarty for damages, as a result of a veld fire that ravaged through Roarty's farm in Leandra, amounting to R1 million. Council has filed a notice to defend the matter. The outcome of the legal processes is unknown at this stage.

(ii) Council is involved in a law suit with SP Mncwabe & 20 Others amounting to R2,2 million for malicious damage and impounding of property when relocating people from eMbalenhle to Kinross Extension 25. The claim excludes associated legal costs. The outcome of the legal process is unknown at this stage as the case was postponed at the request of the applicants.

9 315 226

7 125 982

(iii) Council is being sued for R322 591,23 by VA Jiyane for loss of business, arising from debt collection action. Legal costs are excluded from this claim. The outcome of the legal processes is unknown at this stage as the case was postponed at the request and cost of the applicant.

(iv) Council is being sued for R396 911,50 by Pride Milling for alleged switching on of electricity without properly ensuring that phase rotation was correctly connected after electricity was switched off for maintenance purposes. Legal costs are excluded from this claim. The matter was referred to the municipality's insurers for settlement or defense. The outcome of the processes is unknown at this stage.

(v) Council is being sued for R2 850 528,50 by the Road Accident Fund for alleged negligence when a multiple vehicle collision on 24 June 2004 was allegedly caused by a veld fire close to Bethal. Legal costs are excluded from this claim. The matter has been referred to the insurers of the municipality and the outcome is unknown at this stage.

(vi) Council is being sued for R22 000,00 by Mr Singh for damages to his motor car arising from an accident allegedly caused by a municipal vehicle. Legal costs are excluded from this claim. The matter has been referred to the insurers of the municipality and the outcome is unknown at this stage.

(vii) Council is being sued for approximately R300 000,00 by SS Construction for retention amount on work done on behalf of the municipality. Judgement in favour of the municipality was reversed after successful appeal by the applicant. The municipality is now counter suing (see Note 54, "Contingent Assets"). The outcome of the legal processes is unknown at this stage.

(viii) An interim court order was granted against the municipality for the illegal impounding of 36 head cattle and a truck in Leslie during a road block held. The matter is being defended and the outcome of the legal processes is unknown at this stage as the case was postponed at the request of the applicant.

(ix) Council is being sued for R100 000,00 by NP Mpharu for injuries allegedly caused by the negligence of the municipality to properly safeguard open sewerage pipelines. The outcome of the legal process is unknown at this stage.

(x) Council is being sued for R528 358,78 by Caluma Projects for allegedly unpaid amounts for work done. The outcome of the legal process is unknown at this stage.

(xi) Council has received demand for payment for R1 458 836,11 from Makhambavhele Construction for non-payment of work performed on tender for the grading and gravelling of roads. Information is being gathered to defend the claim. The outcome of the process is unknown at this stage.

(xii) Council has received demand for payment for R136 000,00 from Thandoluyadlupha for alleged assault by municipal traffic officers. The summons is awaited and the outcome of the process is unknown at this stage.

54. CONTINGENT ASSETS

54.1 Court Proceedings:

(i) Council is suing SS Construction for an estimated R450 000,00 for contract not completed. The defendant is also suing the municipality for outstanding payment (see Note 53, "Contingent Liabilities"). The outcome of the legal processes is unknown at this stage.

450 000

450 000

55. IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any In-kind Donations and Assistance during the year under review.

56. COMPARISON WITH THE BUDGET

The comparison of the municipality's actual financial performance with that budgeted, is set out in Annexures "E (1) and E (2)".

57. PRIVATE PUBLIC PARTNERSHIPS

The municipality was not a party to any Private Public Partnerships during the financial year 2008/2009.

58. EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2009.

59. COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Changes in Accounting Policies (Note 41) and Correction of Prior Period Errors (Note 42).

60. STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED

At the date of authorisation of these Annual Financial Statements the municipality has not applied the following GRAP standards that have been issued, but are not yet effective:

- GRAP 18 Segment Reporting
- GRAP 23 Revenue from Non-exchange Transactions (Taxes and Transfers)
- GRAP 24 Presentation of Budget Information in Financial Statements
- GRAP 103 Heritage Assets

Application of all of the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

Management has considered all the GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

APPENDIX A
GOVAN MBEKI MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2009

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2008	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2009
ANNUITY LOANS	R				R	R	R	R
ABSA	3 000 000	14.50%	30 0877 5002	30/06/2012	1 732 049	-	343 716	1 388 333
DBSA	321 368	15.50%	11167/102	30/09/2019	274 871	-	9 898	264 973
DBSA	585 000	15.50%	11167/202	30/09/2019	515 035	-	18 017	497 018
DBSA	169 348	9.25%	12041/102	30/06/2010	30 003	-	14 323	15 679
DBSA	125 000	10.05%	12042/102	30/06/2011	33 625	-	10 129	23 496
DBSA	4 918 492	16.50%	13427/102	30/09/2019	4 337 686	-	143 921	4 193 765
DBSA	10 000 000	8.93%	101781/1	30/04/2016	9 278 306	-	401 483	8 876 823
DBSA	17 500 000	11.55%	103198/1	31/03/2016	-	17 500 000	-	17 500 000
Total Annuity Loans	37 868 484				16 201 575	17 500 000	941 488	32 760 088
OTHER LOANS								
INCA	30 000 000	15.25%	HIGH-00-0001	30/06/2011	30 000 000	-	-	30 000 000
INCA	40 000 000	16.50%	HIGH-00-0002	30/06/2011	40 000 000	-	-	40 000 000
Total Other Loans	70 000 000				70 000 000	-	-	70 000 000
TOTAL EXTERNAL LOANS	108 268 484				86 201 575	17 500 000	941 488	102 760 088

ANNUITY LOANS:

Absa:

Structured unsecured 10 year loan for purchase of land. Original loan capital of R3 000 000 is repayable monthly in fixed instalments of capital and fixed rate interest.

DBSA:

Structured unsecured 20 year loan for provision of infrastructure. Original loan capital of R321 368 is repayable semi-annually in fixed instalments of capital and fixed rate interest.

APPENDIX A
GOVAN MBEKI MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2009

DBSA:

Structured unsecured 20 year loan for provision of infrastructure. Original loan capital of R585 000 is repayable semi-annually in fixed instalments of capital and fixed rate interest.

DBSA:

Structured unsecured 30 year loan for provision of infrastructure. Original loan capital of R169 348 is repayable semi-annually in fixed instalments of capital and fixed rate interest.

DBSA:

Structured unsecured 30 year loan for provision of infrastructure. Original loan capital of R125 000 is repayable semi-annually in fixed instalments of capital and fixed rate interest.

DBSA:

Structured unsecured 20 year loan for provision of infrastructure. Original loan capital of R4 918 492 is repayable semi-annually in fixed instalments of capital and fixed rate interest.

DBSA:

Structured unsecured 15 year loan for provision of infrastructure. Original loan capital of R10 000 000 is repayable semi-annually in fixed instalments of capital and fixed rate

DBSA:

Structured unsecured 7 year loan for provision of infrastructure. Original loan capital of R17 500 000 is repayable semi-annually in fixed instalments of capital and fixed rate

OTHER LOANS:

INCA:

Structured secured 14 year loan for various purposes. Original loan capital of R30 000 000. Interest is repayable semi-annually in at fixed rate interest.

INCA:

Structured secured 11 year loan for various purposes. Original loan capital of R430 000 000. Interest is repayable semi-annually in at fixed rate interest.

APPENDIX B
GOVAN MBEKI MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2009

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2009
	Opening Balance	Additions	Under Construction	Transfers	GRAP 17 Adjustments	Closing Balance	Opening Balance	Additions	Transfers	GRAP 17 Adjustments	Closing Balance		
Land and Buildings	R	R	R	R	R	R	R	R	R	R	R	R	R
<i>Land:</i>													
Land: Developed	64 471 767	1 491 638	-	-	377 319 828	443 283 234	61 985 857	125 294	-	(62 111 151)	0	443 283 234	320 000
Farms	4 628 059	-	-	-	(4 628 059)	-	4 628 059	-	-	(4 628 059)	-	-	-
<i>Buildings:</i>													
Civic Centres	-	-	-	-	57 306 514	57 306 514	-	-	-	30 233 789	30 233 789	27 072 725	-
Office Buildings	132 697 957	553 968	677 955	-	(45 701 108)	88 228 772	51 665 041	3 887 205	-	(9 199 279)	46 352 967	41 875 805	4 026 152
Workshops and Depots	6 416 203	-	-	-	13 568 638	19 984 841	3 115 924	205 973	-	8 146 799	11 468 696	8 516 145	-
Hostels: Public and Tourist	576 435	-	-	-	4 478 012	5 054 447	116 889	19 214	-	2 769 469	2 905 572	2 148 875	-
Hostels: Workers	52 213 422	-	-	-	(52 213 422)	-	17 515 795	1 740 447	-	(19 256 243)	0	(0)	-
Other Buildings	-	-	-	-	21 001 782	21 001 782	-	-	-	5 985 828	5 985 828	15 015 954	-
Buildings: Let-out	1	-	-	-	(1)	-	1	-	-	(1)	-	-	-
Carports	25 000	-	-	-	(25 000)	-	25 000	-	-	(25 000)	-	-	-
Flats Block	4 761 387	-	-	-	(4 761 387)	-	4 761 387	-	-	(4 761 387)	-	-	-
Houses	31 039 813	-	-	-	(31 039 813)	-	30 895 577	11 167	-	(30 906 743)	-	-	-
Houses: Selling Schemes	2 810 000	-	-	-	(2 810 000)	-	2 810 000	-	-	(2 810 000)	-	-	-
Office Parks	1	-	-	-	(1)	-	1	-	-	(1)	-	-	-
Shopping Centres	4 603 790	-	-	-	(4 603 790)	-	4 603 790	-	-	(4 603 790)	-	-	-
	304 243 836	2 045 606	677 955	-	327 892 193	634 859 591	182 123 320	5 989 301	-	(91 165 769)	96 946 853	537 912 737	4 346 152
Infrastructure													
<i>Airports:</i>													
Airport Buildings	-	-	-	-	2 639 121	2 639 121	-	-	-	1 264 729	1 264 729	1 374 392	-
Aprons	1	-	-	-	(1)	-	0	0	-	(0)	-	-	-
Runways	-	-	-	-	708 423	708 423	-	-	-	389 415	389 415	319 008	-
Taxiways	649 701	-	-	-	(649 701)	-	197 617	32 485	-	(230 102)	-	-	-
Radio Beacons	690	-	-	-	(690)	-	486	34	-	(521)	-	-	-
<i>Electricity:</i>													
MV Sub Stations	-	-	-	5 084	49 626 345	49 631 429	-	-	-	22 076 553	22 076 553	27 554 875	-
MV Switchgear	-	-	-	159 388	37 763 091	37 922 479	-	-	-	18 933 486	18 933 486	18 988 993	-
MV Transformers	-	-	-	98 780	214 023 925	214 122 705	-	-	-	137 597 376	137 597 376	76 525 329	-
MV Conductors	-	-	-	-	24 474 437	24 474 437	-	-	-	10 245 609	10 245 609	14 228 828	-
MV Cables	-	-	-	-	104 321 775	104 321 775	-	-	-	80 344 716	80 344 716	23 977 059	-
LV Conductors	-	-	-	-	31 198 469	31 198 469	-	-	-	18 508 895	18 508 895	12 689 574	-
LV Cables	-	-	-	-	62 700 000	62 700 000	-	-	-	40 854 000	40 854 000	21 846 000	-
Meters	9 607 615	-	-	-	202 789 921	212 397 537	4 316 689	480 381	-	128 852 683	133 649 753	78 747 783	-
High Mast Lighting	-	-	-	-	39 726 150	39 726 150	-	-	-	19 629 392	19 629 392	20 096 758	-
Power Stations	5 102 140	-	-	-	(5 102 140)	-	1 034 601	170 071	-	(1 204 672)	-	-	-
Supply and Reticulation	382 928 338	17 748	5 387 104	-	(382 946 087)	5 387 104	152 159 757	19 117 427	-	(171 277 184)	0	5 387 104	12 940 762
<i>Pedestrian Malls:</i>													
Paving	384 497	-	-	-	(384 497)	-	47 991	19 229	-	(67 220)	-	-	-

APPENDIX B
GOVAN MBEKI MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2009

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying	Budget Additions 2009
	Opening Balance	Additions	Under Construction	Transfers	GRAP 17 Adjustments	Closing Balance	Opening Balance	Additions	Transfers	GRAP 17 Adjustments	Closing Balance	Value	
	R	R	R	R	R	R	R	R	R	R	R	R	R
<i>Roads:</i>													
Roads	-	-	-	-	243 848 068	243 848 068	-	-	-	87 227 491	87 227 491	156 620 577	12 503 000
Pavements	-	-	-	-	579 247 650	579 247 650	-	-	-	412 311 524	412 311 524	166 936 126	-
Road Furniture	-	-	-	-	1 242 677 876	1 242 677 876	-	-	-	732 206 666	732 206 666	510 471 210	-
Street Lighting	5 047 944	-	66 349	-	132 754 757	137 869 050	1 232 338	201 919	-	112 756 620	114 190 877	23 678 173	-
Stormwater Drainage	20 698 717	-	-	-	102 121 791	122 820 508	9 933 764	1 034 936	-	54 621 801	65 590 501	57 230 007	-
Stormwater Pipework	-	-	-	-	209 030 768	209 030 768	-	-	-	87 792 923	87 792 923	121 237 846	-
Bus / Taxi Stops	134 209	-	-	-	1 789 633	1 923 842	134 209	-	-	827 712	961 921	961 921	-
Bus / Taxi Terminals	84 353	-	-	-	8 150 039	8 234 392	25 657	4 218	-	3 645 222	3 675 097	4 559 295	-
Car Parks	38 215	-	-	-	(38 215)	-	11 624	1 911	-	(13 535)	-	-	-
Bridges, Subways and Culverts	74 095	-	-	-	(74 095)	-	15 025	2 470	-	(17 495)	-	-	-
Roads: Gravel	13 683 119	3 699 116	243 493	-	(17 382 234)	243 493	9 011 096	369 317	-	(9 380 413)	-	243 493	-
Roads: Other	93 090 544	1 069 590	-	-	(94 160 135)	-	56 605 653	7 383 272	-	(63 988 924)	(0)	0	-
Roads: Tarred	4 565 807	2 382 127	4 422 229	-	(6 947 933)	4 422 229	696 555	318 128	-	(1 014 683)	-	4 422 229	-
Streetname Signs	603 833	-	-	-	(603 833)	-	603 833	-	-	(603 833)	-	-	-
Traffic Islands	1 267 000	-	-	-	(1 267 000)	-	770 758	126 700	-	(897 458)	-	-	-
Traffic Lights	632 020	-	-	-	(632 020)	-	362 375	31 601	-	(393 976)	0	(0)	-
<i>Sanitation:</i>													
Landfill Sites	458 712	235 765	-	-	96 298 982	96 993 459	64 638	16 884	-	39 234 351	39 315 873	57 677 586	767 000
<i>Security Measures:</i>													
Access Control	333 029	-	-	-	(333 029)	-	327 447	2 392	-	(329 839)	-	-	-
Fencing / Perimeter Protection	1 718 234	376 589	255 611	-	(2 094 823)	255 611	1 587 713	70 264	-	(1 657 977)	-	255 611	-
Security Systems	346 086	-	-	-	(346 086)	-	336 245	3 937	-	(340 181)	-	-	200 000
<i>Sewerage:</i>													
Bulk Pipelines	-	-	-	-	132 799 800	132 799 800	-	-	-	69 071 850	69 071 850	63 727 950	-
Reticulation	-	-	-	-	428 048 319	428 048 319	-	-	-	155 651 475	155 651 475	272 396 844	53 527 831
Toilet Facilities	-	-	-	-	52 534 120	52 534 120	-	-	-	13 056 896	13 056 896	39 477 224	-
Pumping Stations	1 554 110	-	8 713 624	-	34 583 322	44 851 056	942 677	108 418	-	16 647 103	17 698 199	27 152 857	-
Treatment Works	71 539 326	13 877 276	3 342 501	-	39 610 565	128 369 668	33 577 536	3 580 744	-	8 775 291	45 933 572	82 436 096	-
Pumps	32 437 746	-	-	-	(32 437 746)	-	29 783 397	1 987 616	-	(31 771 014)	(0)	0	-
Sewers	93 856 499	3 466 513	17 737 699	-	(97 323 012)	17 737 699	25 143 471	4 903 863	-	(30 047 334)	(0)	17 737 699	-
Sludge Machines	72 128	-	-	-	(72 128)	-	29 252	4 809	-	(34 060)	-	-	-
<i>Water:</i>													
Dams and Weirs	-	-	-	-	11 041 262	11 041 262	-	-	-	5 524 312	5 524 312	5 516 950	-
Reservoirs and Tanks	71 530 620	4 376 269	-	-	58 596 218	134 503 107	50 261 262	3 440 265	-	12 968 734	66 670 262	67 832 845	-
Boreholes	80 000	-	-	-	509 300	589 300	80 000	-	-	129 408	209 408	379 891	-
Pumping Stations	738 471	63 209	-	-	689 804	1 491 484	738 471	527	-	40 008	779 006	712 478	-
Treatment Works	12 553 333	-	-	-	(12 553 333)	-	11 580 128	54 067	-	(11 634 195)	-	-	-
Bulk Pipelines	15 979 166	652 052	-	-	113 987 931	130 619 150	9 895 531	347 174	-	59 707 258	69 949 963	60 669 188	-
Reticulation	100 960 603	5 793 712	-	-	151 899 427	258 653 741	37 754 540	5 047 487	-	51 473 278	94 275 305	164 378 436	14 370 000
Meters	-	-	-	-	93 179 686	93 179 686	-	-	-	57 566 143	57 566 143	35 613 544	-
Mains	879 375	-	-	-	(879 375)	-	242 477	43 969	-	(286 445)	-	-	-
Water Rights	27 443	-	-	-	(27 443)	-	8 347	1 372	-	(9 719)	-	-	-
	943 657 719	36 009 967	40 168 610	263 252	3 847 115 418	4 867 214 966	439 513 161	48 907 886	-	2 134 732 141	2 623 153 188	2 244 061 777	94 308 593

APPENDIX B
GOVAN MBEKI MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2009

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2009
	Opening Balance	Additions	Under Construction	Transfers	GRAP 17 Adjustments	Closing Balance	Opening Balance	Additions	Transfers	GRAP 17 Adjustments	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R
Community Assets			0.00										
<i>Recreational Facilities:</i>													
Caravan Parks	304 200	-	-	-	85 841	390 041	180 830	10 140	-	3 512	194 482	195 560	-
Civic Theatres	21 811 577	-	-	-	20 377 063	42 188 640	10 087 740	727 043	-	10 200 759	21 015 542	21 173 098	-
Fountains	20 000	-	-	-	(20 000)	-	6 083	1 000	-	(7 083)	-	-	-
Game Reserves and Rest Camps	35 000	-	-	-	(35 000)	-	7 097	1 167	-	(8 264)	-	-	-
Lakes and Dams	777 368	-	-	-	16 873 735	17 651 103	236 449	38 868	-	5 665 686	5 941 004	11 710 099	-
Museums and Art Galleries	192 800	-	-	-	2 153 075	2 345 875	178 582	893	-	1 102 619	1 282 094	1 063 781	-
Parks	1 592 203	-	-	-	92 650 080	94 242 283	366 045	53 045	-	48 041 023	48 460 113	45 782 170	1 692 948
Recreation Centres	14 925 973	-	-	-	(14 925 973)	-	7 113 534	497 517	-	(7 611 051)	-	-	6 000 000
<i>Sports Facilities:</i>													
Indoor Sports Facilities	672 365	-	-	-	(672 365)	-	275 007	22 412	-	(297 419)	-	-	-
Outdoor Sports Facilities	1 823 080	96 900	-	-	(1 919 980)	-	830 120	93 980	-	(924 101)	-	-	300 000
Sports Complexes	-	-	-	-	145 444 696	145 444 696	-	-	-	64 158 340	64 158 340	81 286 356	-
Stadiums	26 274 116	-	-	-	102 450 693	128 724 809	10 981 310	875 804	-	43 310 118	55 167 232	73 557 577	-
Basketball Courts	351 000	-	-	-	(351 000)	-	351 000	-	-	(351 000)	-	-	-
Bowling Greens	580 001	-	-	-	1 090 112	1 670 113	384 417	29 000	-	280 192	693 609	976 503	-
Golf Courses	700 001	-	-	-	3 442 485	4 142 486	492 917	35 000	-	1 421 251	1 949 168	2 193 318	-
Jukskei Pitches	364 000	-	-	-	(364 000)	-	256 317	18 200	-	(274 517)	-	-	-
Netball Courts	-	-	-	-	458 810	458 810	-	-	-	344 668	344 668	114 142	-
Soccer Fields	155 480	-	-	-	(155 480)	-	155 480	-	-	(155 480)	-	-	-
Swimming Pools	806 117	-	-	-	403 798	1 209 915	512 848	39 756	-	396 554	949 157	260 758	-
Tennis Courts	711 750	-	-	-	430 065	1 141 815	474 974	32 987	-	511 261	1 019 223	122 592	-
Floodlighting	1 135 282	-	-	-	(1 133 790)	1 492	345 314	56 764	-	(400 796)	1 282	210	-
<i>Other Facilities:</i>													
Abattoirs	1 705 387	-	-	-	11 496 448	13 201 835	345 814	56 846	-	5 009 121	5 411 781	7 790 054	-
Care Centres	697 757	-	-	-	14 354 959	15 052 716	327 559	23 259	-	6 986 316	7 337 134	7 715 582	-
Cemeteries	834 950	-	-	-	26 526 327	27 361 277	304 184	28 093	-	18 007 851	18 340 127	9 021 149	-
Clinics and Hospitals	4 015 801	-	-	-	10 272 349	14 288 150	1 445 714	133 860	-	4 383 673	5 963 247	8 324 904	-
Community Centres	36 425 162	-	-	-	(4 974 524)	31 450 637	16 223 462	1 098 173	-	(5 083 309)	12 238 325	19 212 312	6 676 550
Fire Stations	5 550 012	-	-	-	32 761 219	38 311 231	2 491 818	185 000	-	8 378 152	11 054 970	27 256 261	813 076
Lapas	-	-	-	-	1 927 249	1 927 249	-	-	-	996 447	996 447	930 802	-
Libraries	14 976 254	44 779	-	-	11 367 907	26 388 940	6 619 340	502 003	-	4 251 493	11 372 836	15 016 104	-
Nurseries	411 275	-	-	-	(336 395)	74 880	133 324	11 641	-	(71 333)	73 632	1 248	-
Old Age Homes	-	-	-	-	3 044 379	3 044 379	-	-	-	1 020 046	1 020 046	2 024 333	-
Public Conveniences / Bathrooms	4 709 716	-	-	-	18 109 766	22 819 482	2 161 967	156 992	-	9 468 938	11 787 897	11 031 585	-
Schools	-	-	-	-	4 368 859	4 368 859	-	-	-	2 049 220	2 049 220	2 319 639	-
Show Grounds	-	-	-	-	6 638 984	6 638 984	-	-	-	3 463 064	3 463 064	3 175 919	-
Transport Facilities	24 400	-	-	-	(24 400)	-	5 002	813	-	(5 816)	-	-	-
Vehicle Testing Centres	4 180 211	-	-	-	2 667 307	6 847 518	4 180 211	-	-	(1 439 132)	2 741 079	4 106 438	-
	146 763 237	141 679	-	-	504 483 299	651 388 215	67 474 460	4 730 258	-	222 821 003	295 025 721	356 362 493	15 482 574
			0.00										

APPENDIX B
GOVAN MBEKI MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2009

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying	Budget Additions 2009
	Opening Balance	Additions	Under Construction	Transfers	GRAP 17 Adjustments	Closing Balance	Opening Balance	Additions	Transfers	GRAP 17 Adjustments	Closing Balance	Value	
	R	R	R	R	R	R	R	R	R	R	R	R	R
Heritage Assets													
Museum Exhibits	-	-	4 624 136	-	-	4 624 136	-	-	-	-	-	4 624 136	6 050 000
Public Monuments	12 000	-	-	-	(12 000)	-	2 246	613	-	(2 859)	-	-	-
	12 000	-	4 624 136	-	(12 000)	4 624 136	2 246	613	-	(2 859)	-	4 624 136	6 050 000
Housing													
Housing Schemes	72 768 795	-	-	-	(72 768 795)	-	33 478 336	2 264 501	-	(35 742 836)	-	-	-
	72 768 795	-	-	-	(72 768 795)	-	33 478 336	2 264 501	-	(35 742 836)	-	-	-
Other Assets													
<i>Bins and Containers:</i>													
Bulk Containers	1 450 810	-	-	-	60 619	1 511 429	882 796	145 025	-	58 144	1 085 965	425 464	-
Household Refuse Bins	990 009	-	-	-	(725 616)	264 393	777 017	96 687	-	(685 627)	188 077	76 316	-
<i>Computer Equipment:</i>													
Computer Hardware	9 839 763	772 921	-	-	(618 233)	9 994 452	7 446 316	957 281	-	(1 626 504)	6 777 093	3 217 359	-
Computer Networks	-	-	-	-	37 646	37 646	-	-	-	(6 001)	(6 001)	43 647	-
<i>Emergency Equipment:</i>													
Ambulance Equipment	220 998	7 200	-	-	(217 812)	10 385	220 998	-	-	(215 178)	5 819	4 566	-
Emergency / Rescue Equipment	-	3 000	-	-	94 027	97 027	-	-	-	60 955	60 955	36 072	-
Emergency Lights	8 600	-	-	-	-	8 600	8 600	-	-	(2 064)	6 536	2 064	-
Fire Fighting Equipment	466 007	-	-	-	(83 606)	382 401	198 224	32 411	-	(22 275)	208 359	174 042	-
Medical and Allied Equipment	-	-	-	-	598 804	598 804	-	-	-	453 306	453 306	145 498	-
<i>Furniture and Fittings:</i>													
Cabinets and Cupboards	3 033 030	31 781	-	-	78 319	3 143 130	2 523 959	384 882	-	(462 275)	2 446 566	696 564	-
Chairs	2 662 617	43 610	-	-	95 831	2 802 058	2 010 137	315 885	-	(124 132)	2 201 890	600 168	-
Desks and Tables	3 238 787	72 737	-	-	183 518	3 495 042	2 684 319	399 136	-	(521 687)	2 561 769	933 273	-
Domestic / Hostel Furniture	-	-	-	-	549 203	549 203	-	-	-	443 707	443 707	105 496	-
Other Furniture and Fittings	10 700 923	687 317	-	-	(4 701 827)	6 686 413	7 815 275	1 397 398	-	(4 850 197)	4 362 475	2 323 937	-
<i>Office Equipment:</i>													
Air Conditioners	2 448 170	26 167	-	-	80 840	2 555 177	2 379 986	19 561	-	(485 217)	1 914 329	640 848	-
Audiovisual Equipment	-	-	-	-	1 070 260	1 070 260	-	-	-	787 359	787 359	282 901	-
Chains, Decorations and Robes	-	-	-	-	404 000	404 000	-	-	-	351 817	351 817	52 183	-
Cutlery and Crockery	-	-	-	-	1 799	1 799	-	-	-	1 383	1 383	416	-
Domestic Equipment	-	-	-	-	384 516	384 516	-	-	-	314 965	314 965	69 551	-
Kitchen Appliances	-	-	-	-	593 834	593 834	-	-	-	434 674	434 674	159 160	-
Learning / Training Materials	-	-	-	-	76 709	76 709	-	-	-	61 565	61 565	15 144	-
Linen and Soft Furnishings	-	-	-	-	653	653	-	-	-	44	44	610	-
Office Equipment / Machines	2 095 159	107 811	-	-	(1 107 698)	1 095 272	1 472 979	418 225	-	(1 063 114)	828 089	267 183	4 106 200
Paintings, Sculptures and Ornaments	-	-	-	-	148 504	148 504	-	-	-	120 967	120 967	27 537	-
Photographic Equipment	-	-	-	-	936 275	936 275	-	-	-	624 008	624 008	312 267	-
Other Office Equipment	-	12 860	-	-	409 987	422 847	-	-	-	327 606	327 606	95 240	-

APPENDIX B
GOVAN MBEKI MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2009

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2009
	Opening Balance	Additions	Under Construction	Transfers	GRAP 17 Adjustments	Closing Balance	Opening Balance	Additions	Transfers	GRAP 17 Adjustments	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R
<i>Plant and Equipment:</i>													
Agricultural / Farm Equipment	40 472	-	-	-	(40 472)	-	29 141	4 854	-	(33 995)	-	-	-
Compaction Equipment	-	-	-	-	1 547 502	1 547 502	-	-	-	1 169 948	1 169 948	377 554	-
Compressors, Generators & Allied Eq	200 052	-	-	-	265 447	465 499	200 052	-	-	175 499	375 550	89 948	-
Earthmoving Equipment	-	-	-	-	1 026 700	1 026 700	-	-	-	827 486	827 486	199 214	-
Fire Arms	480	-	-	-	-	480	107	160	-	(160)	107	373	-
Gardening Equipment	1 779 888	144 551	-	-	72 737	1 997 176	1 679 189	114 000	-	(369 560)	1 423 629	573 548	-
Laboratory Equipment	207 137	-	-	-	(129 004)	78 133	118 242	40 729	-	(98 712)	60 258	17 875	-
Laundry Equipment	-	-	-	-	37 482	37 482	-	-	-	27 373	27 373	10 110	-
Milling Equipment	5 500	-	-	-	-	5 500	2 231	367	-	(3 282)	(684)	6 184	-
Pumps / Plumbing / Purification / Sanit	-	-	-	-	852 150	852 150	-	-	-	665 732	665 732	186 418	-
Radio Equipment	1 716 958	-	-	-	42 948	1 759 906	1 498 597	58 700	-	(254 514)	1 302 782	457 123	-
Road Construction and Maintenance E	-	-	-	-	33 695	33 695	-	-	-	28 809	28 809	4 886	-
Sport and Recreational Equipment	-	-	-	-	83 473	83 473	-	-	-	49 630	49 630	33 843	-
Surveying Equipment	-	-	-	-	303 224	303 224	-	-	-	244 182	244 182	59 043	-
Telecommunication Equipment	9 844	-	-	-	117 435	127 280	9 844	-	-	47 273	57 118	70 162	-
Woodworking Machinery and Equipme	-	-	-	-	7 788	7 788	-	-	-	2 163	2 163	5 624	-
Workshop Equipment	-	-	-	-	643 856	643 856	-	-	-	479 189	479 189	164 667	-
Workshop Tools	-	-	-	-	359 022	359 022	-	-	-	211 683	211 683	147 339	-
Other Plant and Equipment	10 966 748	526 418	-	-	(9 983 465)	1 509 701	9 997 617	505 675	-	(9 548 208)	955 084	554 617	4 680 000
Cable Cars	5 829	-	-	-	(5 829)	-	2 364	389	-	(2 752)	-	-	-
<i>Motor Vehicles:</i>													
Bakkies (LDV's)	-	-	-	-	9 620 187	9 620 187	-	-	-	7 260 790	7 260 790	2 359 397	-
Busses	-	-	-	-	180 000	180 000	-	-	-	153 900	153 900	26 100	-
Cycles	10 000	-	-	-	-	10 000	10 000	-	-	(3 667)	6 333	3 667	-
Fire Engines	420 000	-	-	-	1 116 204	1 536 204	127 750	21 000	-	1 151 897	1 300 647	235 557	-
Graders	3 029 910	3 020 000	-	-	999 033	7 048 943	1 973 476	934 102	-	1 654 346	4 561 924	2 487 019	-
Mechanical Horses	-	-	-	-	1 007 100	1 007 100	-	-	-	736 263	736 263	270 837	-
Motor Cars	6 590 218	-	-	-	(4 786 306)	1 803 912	6 011 320	159 499	-	(4 849 592)	1 321 227	482 685	-
Tipper	-	-	-	-	1 389 955	1 389 955	-	-	-	1 442 447	1 442 447	(52 492)	-
Tractors	5 351 446	-	-	-	939 534	6 290 980	3 119 509	482 893	-	745 911	4 348 313	1 942 667	-
Trailers and Accessories	-	-	-	-	1 083 256	1 083 256	-	-	-	962 743	962 743	120 514	-
Trucks	23 930 426	11 508 536	-	-	(25 224 897)	10 214 065	19 001 775	4 245 112	-	(16 030 405)	7 216 482	2 997 583	7 500 000
Waste Disposal Trucks	-	-	-	-	12 160 277	12 160 277	-	-	-	6 698 982	6 698 982	5 461 295	-
<i>Other Assets:</i>													
Laboratories	17 701	-	-	-	(17 701)	-	3 589	590	-	(4 179)	-	-	-
	91 437 483	16 964 909	-	-	(7 948 116)	100 454 276	72 205 406	10 734 560	-	(12 486 553)	70 453 413	30 000 863	16 286 200
Total	1 558 883 069	55 162 161	45 470 701	263 252	4 598 761 999	6 258 541 183	794 796 930	72 627 119	-	2 218 155 127	3 085 579 176	3 172 962 007	136 473 519

APPENDIX B
GOVAN MBEKI MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2009

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying	Budget Additions 2009
	Opening Balance	Additions	Under Construction	Transfers	GRAP 17 Adjustments	Closing Balance	Opening Balance	Additions	Transfers	GRAP 17 Adjustments	Closing Balance	Value	
	R	R	R	R	R	R	R	R	R	R	R	R	R

GOVAN MBEKI MUNICIPALITY
ANALYSIS OF INVESTMENT PROPERTIES AS AT 30 JUNE 2009

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying	Budget Additions 2009
	Opening Balance	Additions	Under Construction	Transfers	GRAP 17 Adjustments	Closing Balance	Opening Balance	Additions	Transfers	GRAP 17 Adjustments	Closing Balance	Value	
Investment Properties	R	R	R	R	R	R	R	R	R	R	R	R	R
<i>Land:</i>													
Land	-	-	-	-	158 347 815	158 347 815	-	-	-	-	-	158 347 815	-
Farms	-	-	-	-	11 150 000	11 150 000	-	-	-	-	-	11 150 000	-
<i>Buildings:</i>													
Buildings Let-out	-	-	-	-	71 373 000	71 373 000	-	-	-	-	-	71 373 000	-
Houses	-	-	-	-	52 900 686	52 900 686	-	-	-	5 433 897	5 433 897	47 466 789	-
	-	-	-	-	293 771 501	293 771 501	-	-	-	5 433 897	5 433 897	288 337 604	-

GOVAN MBEKI MUNICIPALITY
ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2009

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying	Budget Additions 2009
	Opening Balance	Additions	Under Construction	Transfers	GRAP 17 Adjustments	Closing Balance	Opening Balance	Additions	Transfers	GRAP 17 Adjustments	Closing Balance	Value	
Intangible Assets	R	R	R	R	R	R	R	R	R	R	R	R	R
Capitalised Development Costs	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software	1 853 860	-	-	-	18 740	1 872 600	1 785 000	57 814	-	(556 425)	1 286 389	586 211	-
Rights and Servitudes	12 961	-	-	-	-	12 961	2 196	432	-	396	3 024	9 937	-
Spatial Development Plan	1 765 070	-	-	-	-	1 765 070	353 014	353 014	-	706 028	1 412 056	353 014	-
Valuation Roll	926 438	-	-	-	-	926 438	310 750	307 844	-	(247 244)	371 350	555 088	-
	4 558 329	-	-	-	18 740	4 577 069	2 450 960	719 104	-	(97 245)	3 072 819	1 504 249	-
Total Asset Register	1 563 441 398	55 162 161	45 470 701	263 252	4 892 552 240	6 556 889 753	797 247 890	73 346 223	-	2 223 491 779	3 094 085 892	3 462 803 861	136 473 519

APPENDIX C
GOVAN MBEKI MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2009

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	GRAP 17 Adjustments	Closing Balance	Opening Balance	Additions	Transfers	GRAP 17 Adjustments	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Executive and Council	2 050 183	56 022	-	-	1 387 657	3 493 861	1 401 687	231 674	-	713 751	2 347 112	1 146 749
Finance and Administration	15 342 457	500 333	-	-	(530 291)	15 312 499	11 578 771	1 316 692	-	(2 344 513)	10 550 950	4 761 549
Planning and Development	239 091 097	1 964 983	-	-	435 851 573	676 907 653	150 251 997	5 291 494	-	(31 091 220)	124 452 270	552 455 383
Health	6 675 440	228 816	-	-	9 738 406	16 642 662	3 801 845	318 806	-	3 777 712	7 898 363	8 744 299
Community and Social Services	128 759 565	355 687	255 611	-	80 239 206	209 610 069	58 128 843	4 705 322	-	38 788 381	101 622 545	107 987 524
Housing	164 282 082	61 989	-	-	(164 169 852)	174 218	89 676 643	4 046 523	-	(93 634 825)	88 341	85 877
Public Safety	40 226 774	362 032	677 955	-	8 293 776	49 560 537	28 016 002	2 582 276	-	(8 776 019)	21 822 260	27 738 277
Sport and Recreation	11 997 812	540 703	4 624 136	-	396 277 140	413 439 791	9 084 089	1 094 131	-	178 416 535	188 594 755	224 845 036
Environmental Protection	2 017 989	-	-	-	(197 315)	1 820 674	1 925 530	52 351	-	(575 016)	1 402 866	417 808
Waste Management	203 242 633	32 850 743	29 793 824	-	648 125 616	914 012 816	91 826 115	13 603 767	-	242 414 275	347 844 157	566 168 659
Roads and Transport	139 839 724	10 380 814	4 665 722	-	2 328 440 924	2 483 327 185	79 472 796	10 202 788	-	1 366 961 066	1 456 636 650	1 026 690 535
Water	202 000 155	7 590 596	-	-	327 326 570	536 917 321	110 404 818	8 899 882	-	118 112 818	237 417 518	299 499 803
Electricity	403 357 159	269 442	5 453 452	263 252	527 978 590	937 321 896	159 227 794	20 281 414	-	405 392 182	584 901 389	352 420 507
Total	1 558 883 069	55 162 161	45 470 701	263 252	4 598 761 999	6 258 541 183	794 796 930	72 627 119	-	2 218 155 127	3 085 579 176	3 172 962 007

APPENDIX D
GOVAN MBEKI MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009

2008 Actual Income	2008 Actual Expenditure	2008 Surplus/ (Deficit)	Description	2009 Actual Income	2009 Actual Expenditure	2009 Surplus/ (Deficit)
R	R	R		R	R	R
77 430 136	29 983 303	47 446 834	Executive and Council	822 132	33 601 208	(32 779 076)
175 335 741	112 534 248	62 801 493	Finance and Administration	265 478 459	157 290 757	108 187 701
40 484 476	24 525 640	15 958 836	Planning and Development	4 732 040	25 290 952	(20 558 912)
15 391	9 828 063	(9 812 673)	Health	5 545 008	11 940 754	(6 395 746)
3 325 037	15 793 596	(12 468 559)	Community and Social Services	2 854 885	19 222 302	(16 367 417)
3 456 473	10 105 875	(6 649 402)	Housing	2 028 542	8 797 673	(6 769 131)
13 558 202	48 766 252	(35 208 050)	Public Safety	11 427 508	54 492 851	(43 065 343)
1 383 426	22 571 699	(21 188 273)	Sport and Recreation	6 989 972	26 973 748	(19 983 776)
57 258 186	66 776 728	(9 518 543)	Waste Management	123 159 125	102 415 740	20 743 385
(1 152 129)	27 934 916	(29 087 044)	Roads and Transport	9 615 437	35 605 119	(25 989 682)
93 194 442	105 005 328	(11 810 885)	Water	113 482 788	106 556 139	6 926 650
190 109 335	202 398 953	(12 289 617)	Electricity	187 154 662	199 152 004	(11 997 341)
654 398 716	676 224 600	(21 825 884)	Sub-Total	733 290 560	781 339 248	(48 048 688)
6 548 901	8 322 250	(1 773 350)	Less: Inter-departmental Charges	13 945 972	10 482 716	3 463 256
660 947 616	684 546 850	(23 599 234)	Total	747 236 533	791 821 964	(44 585 431)

APPENDIX E(1)
GOVAN MBEKI MUNICIPALITY
ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2009

Description	2008/2009 Actual	2008/2009 Budget	2008/2009 Variance	2008/2009 Variance	Explanation of Significant Variances greater than 10% versus Budget
REVENUE	R	R	R	%	
Property Rates	117 369 910	124 701 900	(7 331 990)	(6.25)	
Property Rates - Penalties imposed and collection charges	4 170 718	-	4 170 718	100.00	Revenue budgeted for under Interest Earned - Outstanding debtors
Service Charges	356 676 963	386 739 400	(30 062 437)	(8.43)	
Rental of Facilities and Equipment	3 475 793	3 600 200	(124 407)	(3.58)	
Interest Earned - External investments	7 446 567	8 047 600	(601 033)	(8.07)	
Interest Earned - Outstanding debtors	34 368 023	31 000 000	3 368 023	9.80	
Fines	2 641 218	5 865 000	(3 223 782)	(122.06)	Under performance of the Traffic Department
Licences and Permits	522	61 000	(60 478)	(11 590.30)	Dog licences not enforced
Income for Agency Services	8 076 176	8 000 000	76 176	0.94	
Government Grants and Subsidies	186 355 243	172 830 000	13 525 243	7.26	
Other Income	24 892 907	22 533 400	2 359 507	9.48	
Public Contributions and Donations	238 810	2 003 000	(1 764 190)	(738.74)	Optimistic budget based on previous years' receipts
Gains on Disposal of Property, Plant and Equipment	1 523 683	3 000 000	(1 476 317)	(96.89)	Fewer stands sold than budgeted for
Total Revenue	747 236 533	768 381 500	(21 144 967)	(2.75)	
EXPENDITURE					
Employee Related Costs	225 273 047	214 627 251	10 645 796	4.73	
Remuneration of Councillors	11 954 452	12 592 600	(638 148)	(5.34)	
Collection Costs	8 328 709	9 200 000	(871 291)	(10.46)	
Depreciation	73 346 223	67 817 700	5 528 523	7.54	
Impairment Losses	83 902 300	61 042 800	22 859 500	27.25	Budget not aligned to allow for the recognition of probable income
Repairs and Maintenance	36 665 503	38 426 799	(1 761 296)	(4.80)	
Interest Paid	13 610 874	17 336 700	(3 725 826)	(27.37)	Loan agreement matured during January 2009
Bulk Purchases	182 827 034	196 044 500	(13 217 466)	(7.23)	
Contracted Services	34 356 413	26 196 400	8 160 013	23.75	Expenditure for Professional Services and Security Services exceeded budget
Grants and Subsidies Paid	51 304 002	112 099 150	(60 795 148)	(118.50)	Capital Expenditure budgeted for in Operating Account, expensed in Appropriations
General Expenses	70 253 406	63 851 900	6 401 506	9.11	
Total Expenditure	791 821 964	819 235 800	(27 413 836)	(3.35)	
NET SURPLUS / (DEFICIT) FOR THE YEAR	(44 585 431)	(50 854 300)	6 268 869	12.33	

APPENDIX E(2)
GOVAN MBEKI MUNICIPALITY

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2009

Description	2008/2009	2008/2009	2008/2009	2008/2009	2008/2009	2008/2009	Explanation of Significant Variances greater than 5% versus Budget
	Actual	Under Construction	Total Additions	Budget	Variance	Variance	
	R	R	R	R	R	%	
Executive and Council	56 022	-	56 022	1 403 268	(1 347 246)	(96.01)	Expenditure incurred in Operational Budget
Finance and Administration	500 333	-	500 333	2 135 000	(1 634 667)	(76.57)	Expenditure incurred in Operational Budget
Planning and Development	1 964 983	-	1 964 983	4 891 430	(2 926 447)	(59.83)	Expenditure incurred in Operational Budget
Health	228 816	-	228 816	545 000	(316 184)	(58.02)	Projects approved late in financial year
Community and Social Services	355 687	255 611	611 299	9 438 076	(8 826 777)	(93.52)	Projects approved late in financial year
Housing	61 989	-	61 989	413 076	(351 087)	(84.99)	Projects approved late in financial year
Public Safety	362 032	677 955	1 039 987	1 813 076	(773 089)	(42.64)	Projects approved late in financial year
Sport and Recreation	540 703	4 624 136	5 164 840	550 000	4 614 840	839.06	Projects approved late in financial year
Environmental Protection	-	-	-	6 070 000	(6 070 000)	(100.00)	Expenditure incurred in Operational Budget
Waste Management	32 850 743	24 369 551	57 220 294	65 220 831	(8 000 537)	(12.27)	Projects commenced late in financial year and was carried over to 2009/10
Roads and Transport	10 380 814	3 472 543	13 853 357	16 553 000	(2 699 643)	(16.31)	Projects commenced late in financial year and was carried over to 2009/10
Water	7 590 596	-	7 590 596	14 400 000	(6 809 404)	(47.29)	Projects commenced late in financial year and was carried over to 2009/10
Electricity	269 442	5 453 452	5 722 895	13 040 762	(7 317 867)	(56.12)	Projects commenced late in financial year and was carried over to 2009/10
Total	55 162 161	38 853 249	94 015 411	136 473 519	(42 458 108)	(31.11)	

APPENDIX F
GOVAN MBEKI MUNICIPALITY
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grants and Subsidies Received

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies Delayed / Withheld					Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below	Reason for Non-compliance
		June	Sept	Dec	March	June	June	Sept	Dec	March	June	June	Sept	Dec	March	June		Yes / No	
FMG	Nat Treasury	0	500 000	0	0	0	0	259 686	115 757	82 855	111 577	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
MIG Projects	MIG	0	4 526 000	9 720 000	0	7 358 000	0	12 675 612	14 023 748	5 094 967	14 995 482	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Health - Clinics	Province	0	0	0	5 514 488	0	0	1 478 717	1 478 717	1 478 717	1 478 717	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Equitable Share	Nat Treasury	0	31 846 749	23 885 062	43 452 975	0	0	24 796 197	24 796 197	24 796 197	24 796 197	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
DLGH	Province	0	16 728	0	0	0	0	0	0	0	16 728	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Local District Municipality	LDM	0	0	0	0	20 666 220	0	0	0	0	20 666 220	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Electrification Project	DME	0	4 419 000	1 469 000	0	0	0	70 000	1 776 547	2 892 989	647 568	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
MSP & MSIG	Province	0	735 000	0	0	0	0	0	115 350	0	619 650	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Sport & Recreation	Province	0	0	0	11 119 731	0	0	2 589 698	1 117 200	969 715	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Arts & Culture	Province	0	0	435 000	0	0	0	46 619	61 432	129 283	196 798								
Total Grants and Subsidies Received		0	42 043 477	35 509 062	60 087 194	28 024 220	0	41 916 529	42 367 747	35 592 208	64 498 652	0	0	0	0	0			
(*) Did your municipality comply with the grant conditions in terms of "Grant Framework" in the latest Division of Revenue Act?																			